

THE ROUND TABLE

A QUARTERLY REVIEW OF THE POLITICS
OF THE BRITISH COMMONWEALTH

Contents of Number 148

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A TWO-WORLD POLICY AT WASHINGTON

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HEIRESS AND INHERITANCE

THE MARRIAGE OF PRINCESS ELIZABETH

TO find a precedent for the marriage of an heiress to the throne (since the Princess Charlotte was married and died while her father was still only Prince of Wales) it is necessary to go back more than eight centuries, to the wedding of the Empress Maud to Geoffrey Plantagenet, Count of Anjou, in 1127. This curious fact may be taken to emphasize the sense of a profoundly significant event which has been displayed throughout the British Commonwealth and Empire on the occasion of the betrothal of Princess Elizabeth. Never has a royal marriage been more universally acclaimed. By a singular felicity Lieutenant Philip Mountbatten unites in his person all the qualifications, some of which would have been held *a priori* incompatible, of the consort of a future sovereign. On the one hand he comes of the male line of one of the oldest dynasties still reigning in Europe, the Danish house of Oldenburg, the same that gave a husband to Queen Anne and wives to Edward VII and James I, besides James III of Scotland before the union of the crowns. On the other hand he has had his upbringing almost entirely in England, speaks English as his native language, and has followed one of the most honoured of British callings in the Royal Navy, where he served during the war with distinguished promise. His close relationship on the mother's side to two of the most distinguished admirals of this century, Prince Louis of Battenberg and the present Governor General of India, suggests on grounds of heredity that his marriage may be depriving the Navy of the future of a potential commander of high degree. But what the Navy loses the dynasty, and therefore the Commonwealth, will gain.

To the Princess, who now obtains companionship, counsel and support as she sets forth upon a career of public service from which there can never be remission, the congratulations and good wishes of all the Empire will go out with a fervour that has attended upon no bride in the thousand years of our national and imperial history. In this year, which has witnessed her coming of age, and her exalted act of self-dedication on that day of happy omen, she has stood out before the eyes of the Empire as the natural leader of the rising generation, upon which the renewal of a shattered world depends. She has begun in South Africa to establish that direct understanding between herself and her future subjects beyond the seas which will one day enable her to provide, by personality as well as by office, the indispensable link uniting the many nations of the Commonwealth. More than a century of constant change has elapsed since the wedding of Queen Victoria to Prince Albert, and it is certain that the place to be occupied by the monarchy of the future Queen Elizabeth II and her husband will differ considerably from that which was accepted when last a woman occupied the throne. But in all probability the gains will outweigh the loss. The direct authority of the Sovereign in government has perhaps become a little less. There has

been added, however, something substantially new—the conception of a social and representative monarchy, in which the King or Queen is recognized by the people as the embodiment of their own collective character, having equal affinity with every class from the highest to the humblest, a conception that goes far to reconcile all that was most inspiring in the idealism of divine right with all that was most rational in the Whig scheme of constitutional kingship. Of monarchy thus conceived King George V was the principal founder; King George VI has carried on and extended the tradition; his daughter, it is already apparent, has inherited that power to identify herself with her people which will one day enable her to adapt it to any changes that the future may bring.

A Practitioner of the Constitution

BUT although this representative or social function is the characteristic addition of the twentieth century to the content of the kingly office, it has enriched without displacing the older and more political idea of a constitutional monarch. Not merely is Bagehot's judgment still true, that by virtue of remaining continuously at the centre of the affairs of state, while party administrations come and go, a King or Queen may be expected to acquire a cumulative experience of government and so to become a consultant of unique authority. In parenthesis it may be remarked that it has been in the past held possible, and constitutionally proper, to open to the heir the means of acquiring in advance a large measure of this experience; nor would it be reasonable, although here the precedents fail, for secrets of state, which in the public interest may be revealed to an heiress presumptive, to be withheld from the consort who will be her closest personal confidant when she accedes to the throne. But the modern British monarchy still retains much more of actual political influence than this power of informally advising the ministerial advisers of the Crown. A higher view than has of late been conventional of the Sovereign's direct activity in government is taken in the lectures on the Constitution,* recently published, which were given at Oxford last winter by Mr. L. S. Amery; and since the author looks back upon fifty years of public life, nearly half of them spent in office, his description of the process of government in Great Britain, and his exposition of the principles that he finds implicit in the process, are not to be lightly disregarded even though they run counter to much that has long been taught in the text-books.

What now passes for canonical doctrine, and is assumed by the majority of political speakers and writers of all parties, was in fact developed by the liberal theorists of the nineteenth century on a foundation mainly provided by the democratic tenets of the French Revolution. Under their influence it has come to be thought that the first object of the Constitution is to ascertain the will of the people and apply it to the conduct of public affairs. The only source of political authority is the electorate. Parliament, which is created to legislate, is a delegation from the voters; the Cabinet, which exists to

* *Thoughts on the Constitution*, by the Rt Hon. L. S. Amery, C.H., D.C.L. Oxford University Press. London: Cumberlege. 8s. 6d.

administer the law, is a committee of Parliament. Montesquieu, who held that the secret of English ordered liberty resided in the separation of powers, has completely misled his American and other disciples; on the contrary, the Constitution, by deriving the executive from the legislative, and both from the people, has ensured that every apparent discord between them can be resolved into harmony. The people at one remove, through Parliament, make their own laws, and at two removes, through the Cabinet, govern themselves.

So extreme a simplification of the theory of course does injustice to the great Victorian doctors of the Constitution. But it has had its vogue in Europe, and serves to explain why so many attempts to naturalize on the Continent what was supposed to be the English principle of government have ended in disastrous failure. It is persistently dogged by two opposite dangers, and frequently falls into both successively. The first proceeds from over-emphasis on the idea of the dependence of the executive upon the legislature and of the legislature upon the voters. Pains are taken to make Parliament an exact reflection of all shades of opinion in the electorate, and the Cabinet of all shades in Parliament—and so the multitude of counsellors reduces government to impotence. This result is apt to precipitate recourse to the other extreme. This derives from the notion that the executive represents the final distillation of the will of the people, which is *ex hypothesi* the sole source of authority in the state. In that case, why confuse counsel by retaining in active being either the electorate or the legislature, once they have served their purpose by indicating their choice of governors? By this simple line of reasoning the whole totalitarian edifice can be erected on the democratic foundation—as Hobbes saw, but much earlier the argument had been crystallized in the famous epigram of Ulpian: *quod principi placuit legis habet vigorem, utpote populus ei et in eum omne suum imperium et potestatem conferat.**

Examples of both dangers are sufficiently numerous in the recent history of Europe for the point to need no labouring. But why does the British Constitution remain immune to both the opposite threats of anarchy and despotism? Because, says Mr. Amery, it is not based at all upon the principles alleged; and he proceeds to show by examination of its actual working that its operation cannot be reconciled with them. The supposed source of all authority, the electorate, in fact originates nothing. It does not set up a Parliament reflecting the various shades of its own view; it is only permitted to choose among candidates belonging to two, or at most three, rival teams. It does not make its own laws; it expresses a preference between two administrative and legislative programmes, in the drafting of which it has no share, and each of which must be accepted or rejected as a whole. Nor is the Cabinet a committee of Parliament. Its membership, and the distribution of offices among the members, are controlled not by the House of Commons, nor even by the majority party, but by the Prime Minister, whose authority in this matter is almost absolute; and the Cabinet does not deliberate upon terms of reference imposed by the House, but ever more insistently directs

* "The pleasure of the sovereign has the force of law, inasmuch as the people delegates to him the whole of its own authority and powers."

the House as to the business that it shall transact. If the House has an ultimate power to dismiss the Cabinet, the Cabinet has a limited but more practically useful power to dissolve the House.

Leadership and Consent

YET no deliberative body in the world surpasses the authority of the British Parliament; no people is more secure than the British in the enjoyment of the substance of liberty. If Mr. Amery is asked to reconcile this observed fact with his rejection of the mid-Victorian liberal theory, he replies that in essentials Montesquieu was right. British liberty does derive from a separation of powers; Montesquieu erred only in his description of the powers separated as executive, legislative and judicial. The Cabinet is not exclusively executive; it plays a greater part in legislation than Parliament itself. Parliament is not primarily a legislature; its most vital function is that of watching over and if necessary correcting the Cabinet's use of its executive powers.

In order to appreciate what the separation of powers really means it is necessary, in Mr. Amery's view, to dismiss at the outset the assumption that the object of the Constitution is to ascertain and apply the will of the people. The object of the Constitution is simply government—to maintain an authority, the King and his Ministers, with sufficient effective power to guard the commonwealth against its enemies and preserve at home that order on which the enjoyment of individual rights depends. But if the governing authority is to be kept at a high level of efficiency and fidelity to its trust, it requires to be watched with constant vigilance by some other authority, independent of itself. Moreover, if it is not to be a tyranny it must govern according to law; if the law is found to conflict with the needs of good administration, it must cause the law to be changed. It is for the Government to say what changes in the law are required; but since the law is the people's inherited and accepted way of life, it must not and cannot be changed without their consent. Parliament is the constitutional arena where the Government meets the representatives of the people for these two purposes—to justify its administration in the face of critical review, and to obtain consent to the legislative changes that the continuance of its policy requires. The King, whose initial action in the formation of a Cabinet sets the whole process at work, sees to it that the function of government is entrusted to men whose general policy is sufficiently acceptable to the Parliament of the moment to survive the criticism of its details, and who can secure consent for the legislation they need to continue it.

In this description the whole emphasis is thrown upon government, which is conceived as a mixed process of administration and legislation; and Parliament cannot govern, and was never meant to govern. "Our system is one of democracy, but of democracy by consent and not by delegation, of government of the people, for the people, with, but not by, the people." The separation of powers is between the power of leadership and the power of consent, each of which operates over the whole combined administrative and legislative field; and the authorities in which these powers are vested,

the Government and the people, are in continuous conference or parley in Parliament.

Thus the Constitution provides for an active and a passive element in the conduct of public affairs, one created by delegation from above and the other by delegation from below; each constitutes a check and balance upon the other, and by their delicate interaction liberty is preserved. As a description of the actual working of the Constitution by one who has long experience of it this theory is certainly an improvement upon that of universal popular delegation, at any rate for the present day and perhaps even for the period when the more fashionable doctrine was formulated. It need not be an objection to it that abstract political theory, which is always reluctant to rest in such a dualism as Mr. Amery postulates, will seek to supplement it. Mr. Amery derives his whole conception of the active element in government from the initiating power of the Crown; and those who refer to his original text will be impressed by the degree to which he shows that this power is marshalled by the personal, though admittedly very occasional, action of the King. But, writing as a practical statesman rather than as a theorist, he does not find it necessary to discuss the question of what ultimate sanction sustains the authority of the King himself.

Political philosophers have never succeeded in finding more than two alternative final sources of secular power: divine right or popular consent. The legislation of the revolutionary settlement went as far as law can go to eliminate divine right from the British Constitution. It may be that this is beyond the power of law; there will always be some to hold that obedience to the powers that be is a religious duty, and that this is the real source of the authority we acknowledge in the national tradition that is ultimately embodied in the person of the sovereign. Nevertheless in law, at least, the King is simply the person nominated by the Act of Settlement, and his legal power clearly depends upon popular consent. So also in practice, when he sets in motion the machinery that creates a Government, he acts in accordance with what he supposes to be the popular will as expressed in Parliament. And all the various elements that participate in the national leadership under the Crown, that is, in the governing rather than the consenting part of the Constitution as defined by Mr. Amery, can be shown to be built up from a foundation in the people. Only they are not built up upon votes. The process of working out a programme or policy, which may be adopted by a party, submitted for the acceptance of the electorate, and, if approved, be applied to the government of the country, is a process in which any subject of the Crown can take part. In order to make his power effective, however, he must do far more than see that his name is inscribed on the electoral register. He may be in the actual employment of the Crown, and contribute as a civil servant to the formation of policy. He may be active in the affairs and organization of one or other of the rival parties. He may be a political speaker or writer, or take a line of his own as a member of one or other House of Parliament. But in every case the extent of his participation in the creation of policy, and of his ultimate influence upon government itself, will depend upon a judgment of the quality of his thought or action, and not

upon the weight of numbers. That judgment moreover will be largely a judgment from above; leadership is a hierarchy, and men make their way into it by proof, to the satisfaction of those who are already qualified, that their opinions are worthy to be taken into account.

In this sense the governing as distinct from the consultative part of the Constitution derives also from a popular foundation. It will always require a limited cadre of persons specially interested in public affairs and devoting much of their time to them, who will supply in effect an aristocratic element in the commonwealth. This aristocracy shapes policy and supplies the practitioners of government from the Cabinet down to the most junior servants of the State. But it is an aristocracy whose ranks are open to all comers, provided only they are willing and able to qualify in their degree by active public service.

Commonwealth Relations

M R. AMERY'S conception of the principles involved in the British parliamentary system inspires all his suggestions for constitutional adjustment or reform. His aim is to make the Cabinet, as the proper source of all initiative, stronger, and Parliament, regarded almost entirely as a consultative and critical body, not stronger as against the Government but more articulate. For instance, he favours the revival of something like the Imperial War Cabinet system of 1916, in which a small group of Ministers might be released from departmental responsibilities in order to have leisure and detachment to plan government policy in a large strategic sense. Here, of course, his proposals have affinity with those of the Haldane Committee, which have been before the nation for many years, and to which most Governments have paid lip-service without going far towards that general reorganization of the machinery of Whitehall which is their foundation. Mr. Amery also associates himself with the proposal originally made by Mr. Churchill in his Romanes Lecture of 1930 for the addition to Parliament of a third House, elected on a functional basis to represent industry, and possessing purely consultative powers. Such a House could scarcely fail to improve the capacity of Parliament in its critical aspect. At the same time it may be questioned whether it would not militate against Mr. Amery's ideal of strong government. The Cabinet in effect would have to satisfy two Houses of Commons. It is true that the House of Industry would not possess constitutional power to overthrow the Government. But supposing that a policy (for instance, a diversion of man-power from industry for purposes of defence) which could be successfully defended in the House of Commons on political grounds had been censured in the House of Industry on economic grounds by the combined forces of masters and men, would not the Cabinet that proposed it suffer a crippling loss of prestige?

Mr. Amery's emphasis on the importance of government naturally dictates his approach to the problem of imperial unity. Observing that the United Nations begins its work with fundamentally the same instruments as the League, and in an international atmosphere much more discouraging, he holds that the prospects of peace in the world for a long time to come depend

in pre-eminent degree upon co-operation between the nations of the British Commonwealth. But he in effect accepts the Statute of Westminster as a final settlement, and looks for that co-operation solely to the agreement of the existing sovereign governments. Therefore his proposals for imperial integration are all made in the field that belongs to Cabinets and not in that which belongs to Parliaments. He would give permanent institutional form to the secretariat of the Imperial Conference, and place its machinery at the equal disposal of all the British Dominions. He assumes—perhaps unnecessarily—that this secretariat must be geographically located in the United Kingdom, but makes the wise observation that it should be visibly separated from the area associated with the administration of these islands, and could be most appropriately lodged in the vicinity of some personal residence of the Sovereign of the Empire, such as Windsor or Hampton Court. He would develop all the existing machinery of collaboration between the imperial governments, notably that of the High Commissioners exchanged between them. The ultimate aim would be to create the equivalent of an Imperial Cabinet, made up of delegations—generally the Prime Ministers—from all the governments of the Commonwealth. Such a body, though of course not in continuous session, would in his view be capable of providing leadership for a united policy of the Empire in world affairs; and he does not think the unity of the leadership incompatible with the necessity to go to five different Parliaments for the element of consent which is correlative to leadership in his general constitutional theory.

As usual, Mr. Amery, writing as the experienced politician, keeps his eyes firmly fixed upon the practical; and there is no doubt that in the present state of opinion throughout the Commonwealth, including the United Kingdom, the method of consultation between mutually independent governments affords the best immediate hopes of imperial co-operation. His argument that a very large development of this consultation is possible, both over the whole field of the Commonwealth and by regional association among some of its members, should bring welcome reinforcement to all who believe in the mission of the British Empire in the world. That his conception of the high vocation of government leads naturally into this programme of imperial integration is itself a recommendation of his constitutional theory.

For those associated with this Review who share to the full Mr. Amery's lifelong devotion to the cause of a liberal imperialism, it may be cause for regret to observe that this merely consultative union, which to them is the next step upon the way of progress, appears to be in his eyes the end of the journey. Mr. Amery dismisses the ideal of organic union, "supported at one time by the able writers of *THE ROUND TABLE* group" as impracticable not only now but for ever, because

"Foreign affairs, defence, monetary, industrial, commercial, transport, and social policy have become an indissoluble complex of national life. No nation conscious of its national existence is prepared to surrender any of these functions to an outside authority."

For the avoidance of misunderstanding it should be stated that *THE ROUND TABLE* has not receded from its belief in organic union as the ultimate

ideal. That belief, which was maintained in its earliest issues, was reasserted in its hundredth number, dated September 1935, and is still held to-day. It is compatible with the frank recognition that the prevailing currents of opinion in imperial affairs are setting the other way, and with the whole-hearted support of policies more immediately practicable which make it their object to foster united action in the Commonwealth. Such policies may be maintained even by those who cannot change their reasoned belief that the policy of consultative co-operation, great as are the improvements it may yet make upon the present incomplete integration of the Empire, will in the long run find that there are obstacles that it cannot surmount. In Mr. Amery's terms, the more the element of government in the Commonwealth is forged by consultation into a single leadership, the more difficult it will be for it to seek the correlative element of consent from five—or now seven—completely discrete authorities. The answer to Mr. Amery's central objection is that a time may come when a body to which all the nations of the Commonwealth might entrust their powers to criticize or consent to the foreign and defence policy of a united imperial leadership will cease to be thought of as "an outside authority"—just as the "sovereign" States of the American Union have long ceased so to regard their federal executive and legislature at Washington. That time may admittedly be far off, and in the meanwhile there is no occasion to quarrel with so potent an ally in the cause of a united Empire as Mr. Amery's long and devoted career of imperial service has shown him to be.

MR. MARSHALL'S ADVICE

EUROPEAN DEMAND AND AMERICAN SUPPLY

“ADVICE” rather than “offer” and certainly not a “plan”—that would be the most realistic interpretation of the contents of Mr. Marshall’s speech delivered on June 5 last before the Harvard University Alumni Club. This is the definition best calculated both to extract from Europe the maximum response of self-help and to ensure a follow-through by the United States in the form of active participation. It is therefore doubly unfortunate that the term “offer” and even “plan” should have gone so freely into circulation as the description of the historic invitation made to Europe by the U.S. Secretary of State in this speech.

The events that led up to this speech can be stated quite simply. For many months it had become apparent to all who could read and interpret statistics of international trade and payments that the world was running headlong into a crisis of dollar exhaustion. The balance of current payments between the United States and the rest of the world, which in the four pre-war years showed an average surplus in favour of the United States of a mere \$260 million, had in 1946 shown a surplus of \$8,200 million, and in the first quarter of 1947, instead of undergoing the expected gradual contraction towards “normalcy”, had suddenly leapt to a rate of \$12,000 million a year. The gap thus revealed was far from being filled by fresh lending or giving by the United States. It was being covered by drawing on fast-ebbing lines of credit and loans already granted and by payments out of equally fast-contracting reserves of dollars and gold held by the outside world. Evidence had been accumulating since the early part of this year that dollar exhaustion was beginning to affect many countries of the world—from the republics of the west coast of South America, which were among the first to feel the impact of the shortage, to Britain, whose drawings on the U.S. line of credit began to acquire an accelerated tempo, to France and the Low Countries which showed the red light by beginning to draw on their facilities with the International Monetary Fund and, finally, to such financially strong countries as Sweden, Argentina and Canada, all of which have in recent months shown signs of balance-of-payments difficulties and have taken appropriate action to restrict imports.

This current surplus of the U.S. balance of payments and the deficit of the rest of the world is, in present circumstances, neither abnormal nor reprehensible. It is not a symptom of the chronic tendency to over-export and under-import of which the United States has so often been accused in the past—with little justification, it should be added. The present surplus in the U.S. balance of payments is a result of the changes in the distribution of world productive power caused by the war. It reflects such factors as the temporary ousting of Germany and Japan from the ranks of the world’s great centres of industrial productive power; the deep wounds inflicted on the economies of some of the victorious Powers; the increase which, by contrast, occurred in the productive capacity of the North American

continent. If the ravages of war were to be restored with American aid a substantial surplus had to appear in the U.S. balance of payments. That surplus would be the measure of American assistance in the rehabilitation of war-shattered economies; it would also be a measure of the time that must inevitably elapse before the flow of world trade could return to anything like the normal channels from which it was so roughly disturbed by total war, by the complete abandonment of normal commercial criteria in the distribution of international commerce and by the devices of Lend-Lease and Mutual Aid. However generous and constructive these arrangements for the pooling of resources and financing of trade between the allies, the problems they left behind should not be ignored. Lend-Lease and Mutual Aid, by allowing Britain to abandon any attempt to pay her way in her war-time external payments, made it possible to concentrate the whole of her man-power on fighting and munitioning the war. This led to victory, but it also led to a forbidding legacy of distorted industrial development, of broken commercial ties with traditional overseas markets and, since all external expenditure was not financed by Lend-Lease or Mutual Aid, of a gigantic accumulation of debts to other countries, namely the war debts represented by the overseas accumulation of some £3,500 million of sterling assets.

To discuss whether the resultant situation which crystallized with such brutal severity on VJ-day did or did not call for some continuation of Lend-Lease on a gradually tapering scale is now a barren exercise of academic interest. This was not the way chosen to "finance" the conversion to normality. A return to more "commercial" concepts was decided upon. What was in the Lend-Lease pipe-line continued to flow, but against promises to pay. The Lend-Lease termination credits amounted altogether to \$1,500 million or about one-sixth of what the United States had exported under Lend-Lease in 1944 alone. To ease the strain of the transition period the United States contributed \$2,700 million to UNRRA, increased the capital resources of the Export-Import Bank from \$700 million to \$3,500 million and called upon that government-owned institution to grant foreign reconstruction loans, a type of operation for which it had not been designed. These were only the first items in what was to be a formidable and generous U.S. foreign aid programme. The total, including the \$3,750 million inter-governmental credit granted to the U.K., comes to the impressive figure of \$23,027 million; and as may be seen from one of the tables in the appendix to this article, no less than \$12,660 million of this potential supply of dollars remained unutilized on July 1 last. But much of this unutilized total is not readily available or could not be mobilized to meet the specific danger that threatens world commerce with the United States. For example the considerable U.S. contributions to the International Monetary Fund and the International Bank are not mobilizable except through the operation of a machinery which, to date, has not functioned very promisingly. As for the relief granted under the head of the Philippine Aid programme and Greek-Turkish aid, it will not be canalized or spent in such a manner as to make much contribution to solving the problem of the world's scarcity of dollars for normal current commercial transactions.

The Causes of Dollar Exhaustion

THE contrast between the massive aid provided by the United States in gifts and loans since the end of hostilities and the present headlong rush of the world outside the United States towards dollar exhaustion cannot be explained by a single factor. It is the result of a complex of circumstances, some unforeseen altogether, others unexpected in their severity. Most important of all has been the extent of the war damage done to the economy of the world and the pull of forces that have militated against rapid recovery. In planning the scale and character of post-war reconstruction very few of the experts can have calculated the depth of the wounds suffered by the countries of Europe. Still fewer can have been so pessimistic two years ago as to envisage the fate that has actually overtaken Germany and central Europe or to foresee the deadlock in political and economic co-operation between eastern Europe and the U.S.-West-European group which was to keep the pace of European reconstruction down to such a leisurely and disappointing crawl. All the calculations that accompanied the negotiation of Lend-Lease termination and general reconstruction credits by the United States to her former allies must have been based on a much more hopeful view of the immediate prospects for reconstruction than has in fact been realized. Not only was the damage to the economies of most of the belligerent nations underestimated, but the powers of resilience, moral and physical, of their peoples were assumed to be far greater than in fact they have proved to be. Europe's come-back has been disappointing, not only because of damage sustained during the war and conscious political sabotage by nations and parties which see in economic chaos the best milieu for the propagation of their doctrine; it has also been disappointing because the necessary effort of reconstruction has not been forthcoming.

Let it be admitted that the failure to meet the reconstruction hopes is due to faults of omission and commission on the part of Europe as well as to the unexpected magnitude of the disasters that had overtaken Europe. Apart from this general group of reasons for the inadequacy of the programme that was to carry Europe through the post-war transition, a few more specific factors should be mentioned. The first is the rise that occurred in the dollar price level after the U.S. Congress decided, in its wisdom, that the need for price control had passed. Since the loan of \$3,750 million from the United States to Britain was contracted, its value to this country has depreciated by 28 per cent. Mr. Dalton recently informed the House of Commons that import prices of commodities purchased with the proceeds of the loan had risen by the following percentages: steel, 20 per cent; raw cotton, 56 per cent; soft woods, 100 per cent; hard woods, 50 per cent; tobacco, 15 per cent; wheat, 28 per cent; carcass meat, 41 per cent; cheese, 31 per cent; dried eggs, 5 per cent; lard, 49 per cent. The loan to the U.K. was finally cut well below the figure of \$5,000 million for which the British negotiators asked. This cut, together with the fall in the purchasing power of the \$3,750 million that were granted, accounts in part for the threatened exhaustion of the loan at a far earlier date than had been expected.

In explaining the unexpected size of the dollar gap, account must also be taken of the part taken by nature in deciding that abundance should be visited on the western hemisphere and deficits on Europe. Two successive droughts took their toll of Europe's harvest for 1945 and 1946, and the ravages of last winter will again serve to keep the overall 1947 yields well below the levels that could have been hoped for had more normal weather prevailed. It was fortunate the surpluses were there in the dollar world to meet the deficiencies outside it; but the deficiencies and the abnormal demands to which they gave rise had the effect of keeping the level of agricultural prices inordinately high, and the financing of the transfer aggravated the problem of maintaining a sufficient supply of dollars in the non-dollar-currency areas. Finally, a word must be said about the disappointing pace at which the International Bank has set out to fulfil the rôle destined for it by the U.S. administration, that of becoming the principal instrument for canalizing American capital into the task of post-war reconstruction and development. A combination of personal and technical difficulties has served to keep the operations of that institution well below the volume that could reasonably have been expected of them, though now that the Bank has successfully launched its first bond issue on the New York market the Bank may be entering on a range of loan operations more in keeping with the large resources at its disposal and with the hopes centred on it.

The American Warnings

ALL these factors, the damage done to the European economy, the rise in dollar prices, the visitations of nature and the inability of the instruments for making foreign loans in the United States to achieve what was expected of them, have brought their contribution to the dollar scarcity and to the imminent paralysis of the machinery for financing trade between the United States and the non-dollar world. One of the first clear words of warning of the impending crisis was uttered by Mr. Dean Acheson, then Under-Secretary of State, in a speech at Cleveland, Mississippi, which was to be one of his last public utterances before leaving the ranks of an administration he had served so well. The Cleveland speech was the true forerunner of the Harvard speech. In it Mr. Acheson, after explaining and measuring the gap in the U.S. balance of international payments, drew from his analysis three conclusions. The first was that the United States must take as large a volume of imports as possible from abroad in order that the financial gap between what the world needs and what it can pay for may be narrowed. But, even if the United States abolished every tariff on imports, that gap could not be covered in existing circumstances of shortages in Europe and Asia and abundance in the western hemisphere. Therefore, Mr. Acheson pointed out, "the facts of international life also mean that the United States is going to have to undertake further emergency financing of foreign purchases if foreign countries are to continue to buy in 1948 and 1949 the commodities which they need to sustain life and at the same time rebuild their economies". But thirdly, he said, since the world demand exceeds American ability to supply, "we are going to have to concentrate our emergency assis-

tance in areas where it will be most effective in building world political and economic stability, in promoting human freedom and democratic institutions, in fostering liberal trading policies, and in strengthening the authority of the United Nations". Mr. Acheson made another point which may have an important prophetic bearing on the attitude of the United States to whatever plan may be put up by the sixteen European nations now negotiating in Paris. It was that the United States should now push ahead with the reconstruction "of those two great workshops of Europe and Asia—Germany and Japan—upon which the ultimate recovery of the two continents so largely depends". Here was the first definite hint of the views that were to find somewhat more generalized but more authoritative expression in the words of Mr. Marshall.

The Harvard speech has been variously interpreted. It is certain that its initial reception in the United States was one of uninterested indifference. It was only when Europe began to talk of a Marshall "plan" and when Mr. Bevin had grasped Mr. Marshall's offer "with both hands" that the United States began to study the speech and attempt to read into it a new phase of State Department policy. The cynics have interpreted the speech merely as a warning to Europe that the era of piecemeal assistance from the United States was over because it had been found so utterly wanting in results. But the speech had more to it than this negative warning. There was in it an admirable statement of the economic disintegration of Europe and of the fact that "in considering the requirements for the rehabilitation of Europe, the physical loss of life, the visible destruction of cities, factories, mines and railroads was correctly estimated, but it has become obvious during recent months that this visible destruction was probably less serious than the dislocation of the entire fabric of European economy". Then followed the positive assertion that "Europe's requirements for the next three or four years—principally from America—are so much greater than her present ability to pay that she must have substantial additional help, or face economic, social and political deterioration of a very grave character". Such assistance, said Mr. Marshall, should not be on a piecemeal basis as various crises develop but should provide a cure rather than a palliative; it would be provided to "any government that is willing to assist in the task of recovery"; it would be withheld from "any government which manoeuvres to block the recovery of other countries or which seeks to perpetuate human misery in order to profit therefrom politically or otherwise". But, added Mr. Marshall, it was not for the United States to take the initiative in this matter; "there must be some agreement among the countries of Europe as to the requirements of the situation and the part those countries themselves will take in order to give proper effect to whatever action might be undertaken by this Government . . .", but "the initiative must come from Europe".

Europe's Approach to a Plan

THE great design was launched. Mr. Bevin seized the invitation with an alacrity which at first blush seemed to embarrass public opinion in the United States but which on second thoughts found a welcoming echo in

that country. Mr. Marshall had admitted at a press conference given soon after his Harvard speech that the Europe to which he referred was "everything west of the Urals" and Mr. Bevin's invitation for a preliminary European conference on the issues raised by the speech went to France and Russia. The meeting of the three Foreign Ministers was held in Paris. It opened on June 27 and closed five days later in complete deadlock. Mr. Molotov refused to consider a scheme which, he said, would threaten the sovereignty of the smaller countries. Britain and France then decided to proceed without Russia and sent out invitations to twenty-two countries to attend a European conference to meet in Paris on July 12. Fourteen nations accepted and eight refused the invitation. The eight include all countries in the Russian sphere. Czechoslovakia, which had accepted, was compelled under pressure from Moscow to reverse her decision. One of the immediate results of the Marshall speech has, therefore, been to crystallize more clearly than ever before the division of Europe into two spheres. This was not so much a regrettable development as the open admission of a regrettable fact. As long as that fact was not candidly recognized and admitted the omission had paralysed almost every effort made to set the rehabilitation of central and western Europe in train.

Freed from the procedural and other obstacles which the participation of Russia and her satellites would almost certainly have entailed, the Paris discussions got off to a speedy start. Within three days the discussions at ministerial level were completed. These were primarily concerned with setting up the machinery for the subsequent conduct of business. It was decided to set up a Co-operation Committee on which each of the sixteen countries is represented. Under this there is an Executive Committee on which the U.K., France, the Netherlands, Norway and Italy are represented. This executive committee has set up four technical committees, dealing with food and agriculture, fuel and power, steel and transport respectively. The whole of the machinery thus set up has gone into action with a speed in keeping with the vigour of the opening phases of the work. A questionnaire has been circulated to the participating Governments, and on the basis of the answers that are now arriving the committees will be drawing up inventories of essential needs, lists of what is available within the group of European Powers and their dependencies and associated nations. By deduction some indication will be available of the help from the United States that will be required. The presentation of this material will fall into two parts, a short-term statement of immediate needs and a longer-term plan which should indicate a sharp tapering off in the need required from outside the European group as the effort of self-help gets under way and yields fruit.

But the work now being undertaken in Paris must be much more than the drawing up of a "shopping list". It must tackle the much more formidable and more constructive task of economic integration. If the plan which emerges from the Paris meeting is to appeal to the United States sufficiently to qualify for economic assistance, it must be a plan which brings with it the promise that Europe is again on the road to solvency and self-sufficiency and that any American investment in the rehabilitation of the continent will be

investment in what promises to be a going concern. All this must be ready by the end of August. It is clear, therefore, that the vision of economic integration of Europe will have to be drawn in general and somewhat impressionistic outlines, though with sincerity none the less. There has been some over-facile talk of a European customs union. There would be no hope even of drawing the outlines of such a plan for Europe in the time required. Such a union, or even a form of political federation, might be announced as ultimate objectives which the nations represented at Paris might later discuss, though any such project would raise serious reservations on the part of Britain, given our joint membership of Europe and of the Commonwealth.

Even without such ambitious soaring there should be ample work and detailed planning to be done in the more limited sphere of the fuller and more intelligent use of the industrial resources of Europe and, in particular, in the revival of the productive power of the Rhineland industrial basin. The German problem is bound to loom large in the Paris negotiations. It has already provided a serious bone of contention, the French delegation claiming that in any consideration of the German situation the issue of security, that is the security of France, must take precedence over any other and following this up by contending that it would be iniquitous to give to the reconstruction of Germany any priority over the reconstruction of the economies that were ravaged by German aggression. This issue epitomizes the real difficulties that will have to be resolved.

One may question whether in drafting the Paris agenda a serious omission has not been made, namely, a study of some of the purely financial aspects of the obstacles to European recovery. In Britain we have recently become increasingly familiar with authoritative diagnoses of our difficulties which lay considerable blame on purely monetary pressures, on the excess of purchasing power, the effect of which is to undermine intelligent planning, to distribute labour into relatively unproductive channels, to put pressure on certain supplies of materials and conduce to what Mr. R. J. Hicks has recently called an "empty economy". These phenomena prevail in varying degrees of intensity throughout Europe. More particularly, the rigidity with which exchange rates are now being held is allowing abnormal discrepancies to occur in price levels, and in countries whose currencies are grossly over-valued—and there are many in that position—the normal corrective mechanism which inflation should bring into operation is paralysed, with the result that in those countries of relatively high prices, imports are positively encouraged and exports are being priced out of foreign markets. These discrepancies are in themselves a severe impediment to recovery and can hardly be ignored in the discussions for European rehabilitation. This, however, is a problem which, if dragged into the orbit of the Paris discussions, would certainly defeat the time-table. It is, moreover, a problem which is the particular province of the International Monetary Fund in Washington and which could not be tackled in Paris without reference to that new international institution. It is to be hoped, however, that the report which will emerge from the Paris discussions will not ignore this important factor in the situation and will suggest that remedial action should be taken as soon

as possible through the instrumentality of the International Monetary Fund. That hope is strengthened by the decision to circulate to the participating countries a questionnaire on their balance-of-payments problem.

Convertibility and Non-Discrimination

ONE of the most intriguing issues that face the Paris scene is the relation and possible contradiction between the mechanism of economic integration in Europe and the doctrine of non-discrimination and economic liberalism which has for many years emanated from the State Department in Washington. Are there some symptoms of schizophrenia in Washington's demand for an integration of Europe, to which it might be difficult to give expression without some cartelization of industry and some discriminatory and preferential machinery, by contrast with the commercial orthodoxy which Washington is to this day preaching in the International Trade Organization discussions that are taking place in Geneva? The question is one that must give the delegates in Paris serious food for thought, since much of their work must be conditioned by an estimate of what the United States will accept and approve as worthy of their assistance. The clash will be more particularly apparent to the British delegates, who cannot be unaware of the extent to which Britain's particular difficulties have been induced by the "strings" attached to the Anglo-American financial agreement of December 1945. The "sterling convertibility" clauses may have given rise to the keenest debates in the negotiations that led up to the agreement, and in the prevailing dollar shortage the convertibility of current sterling added disastrously to the pressure on our gold and dollar reserves. But in retrospect this particular condition of the loan agreement may be found less significant than the non-discrimination clauses which slipped in with greater ease. The essence of the relevant "clause 9" is that in imposing quantitative restrictions on imports Britain shall not discriminate against U.S. goods unless the discrimination (and it must not be substantial) is in favour of a country whose economy has been devastated by the war. This exception would make possible discrimination in favour of most of the European countries represented in Paris, but it would not include the trade between Britain and the other members of the Commonwealth. Discussions between London and Washington in July began to ease the severity and rigidity of this clause, with the idea particularly of excluding from it the trade between Britain and the non-self-governing colonies which have a common quota with the U.K. in the International Monetary Fund. The whole question was then swept up in the Washington discussions between the British delegation led by Sir Wilfrid Eady and representatives of the U.S. administration. Convertibility of sterling has been partially abrogated. The principle of non-discrimination is being eased so as to allow commercial arrangements which, while avoiding the conscious discriminatory devices that the United States rightly distrust and dislike, will not compel a country, when owing to dollar exhaustion it must curtail imports from the United States, to curtail similarly its imports from other countries where it could continue to purchase. When non-discrimination becomes restrictive it ceases to hold the

virtues to which in principle it can lay claim. The world is already beginning to suffer from multilateral paralysis of trade. The Paris delegates must have very much in mind the problem of reconciling the American doctrine on this subject (remembering that this plan must be "sold" to the American public and to Congress) with the hard realities of the economic situation that faces Europe.

The Scale of American Aid

NO review of the work now being done in Paris should, however, allow the final curtain to fall on the Paris scene. The last thought must go back to the United States. If we are to be spared much disillusion it would be well to ask how far the delegates in Paris, if they are building on the assumption of substantial American aid, are building on reality? A wide gulf can separate the views and hopes of the Administration from the actions of Congress, especially when one is Democratic and the other Republican, when the country is in a mood of retrenchment, when presidential elections are in the offing. The delegates in Paris would be well advised to keep as much as possible of their plans to the sphere of what can be realized without spectacular help from the United States. That help will no doubt be forthcoming, but not in the grandiose figures that are so lightly thrown off in discussion of the "Marshall plan" and not before the United States has very clear evidence that Europe is helping herself. Coal exports to Europe make little sense to Americans when British coalminers have just been given a five-day week.

The educational campaign in favour of further American aid to Europe has been launched and is making good progress. But it is neither true to say that the United States in helping Europe would be getting rid of her unwanted surpluses, nor to suggest that such help is the only way for the United States to avoid an economic recession. Those arguments will carry little weight. When the additional help is forthcoming it will probably be given by bilateral arrangements with each country concerned, and not through a grandiose European rehabilitation plan. It will, moreover, be provided in the first instance by existing agencies, such as the International Monetary Fund if the problem to be met is a short-term disequilibrium in the balance of payments, or the International Bank if the project is one of longer-term development or reconstruction. That should indicate the scale and character of the probable assistance from the United States on which it would be wise for the Paris conference to work. The most dangerous basis for the work of that meeting would be a false and unrealized assumption of American aid. The need for what is now being attempted in Paris will be all the greater if the hopes of American assistance are in fact disappointed. It would, therefore, be a tragic waste of an opportunity if all that is now being constructed in Paris were to vanish into thin air because in the end it were found that the United States refused to help. Whether it is to be known as a Marshall plan or a Bevin-Bidault plan, something drastic and revolutionary will be needed to meet the payments crisis towards which Europe is now rushing with such alarming speed.

TABLE I: *U.S. Balance of Payments, 1946 and 1947*

	1946	1947 (original est.)	1947 First half (actual figures)
Commercial exports and UNRRA	\$9,700	\$12,000	\$7,600
Commercial imports . . .	5,100	6,700	2,900
Commercial surplus . . .	+4,600	+5,300	+4,700
<i>Invisibles:</i>			
Shipping			
Tourist	+ 600	+ 500	..
Immigrants remittances			
Interest and dividends	+ 400	+ 400	..
Military supplies . . .	+2,600	+1,000	..
Total invisibles . . .	+3,600	+1,900	+850
Total current balances . . .	+8,200	+7,200	+5,550

TABLE II: *U.S. Balance of Payments, 1935-8 (\$000,000)*

	1935	1936	1937	1938	Average
Visible exports . . .	2,283	2,456	3,349	3,094	2,796
Visible imports . . .	2,047	2,423	3,084	1,961	2,379
Balance	+236	+33	+265	+1,133	+417
<i>Invisibles:</i>					
Shipping (net) . . .	- 36	- 61	-103	- 42	- 60
Tourist expenditure (net) .	-292	-358	-403	- 357	-352
Immigrant remittances (net)	-115	-180	-180	- 155	-157
Interest and dividends .	+350	+330	+298	+ 333	+325
Government transactions .	- 56	- 65	- 96	- 64	- 70
Miscellaneous . . .	+ 96	+148	+206	+ 178	+157
Total invisibles . . .	- 53	-186	-278	- 107	-157
Balance on current account .	+183	-153	- 13	+1,026	+260

TABLE III: *Potential Supply of Additional Dollars Under Existing Programmes**
(In millions of dollars)

	<i>Available or potentially available</i>	<i>Funds drawn through June 1947</i>	<i>Unutilized</i>
<i>U.S. Government Lending:</i>			
Export-Import Bank loans . . .	3,500	1,770	1,730
Lend-Lease "pipeline" credits . . .	1,500	1,250	(a)
Surplus property credits . . .	1,150	900	250
Ship sales credits . . .	210	110	100
Loan to U.K. . . .	3,750	2,050	1,700
Monetary stabilization credits . . .	287	9 (b)	278
<i>International Institutional Lending:</i>			
International Bank	3,266 (c)	100	3,166
International Fund	3,500 (d)	58	3,442
<i>U.S. Gov. Relief and Special Aid:</i>			
UNRRA	2,700 (e)	2,700	..
Post-UNRRA relief	350	..	350
Relief in occupied areas	1,645	1,000 (e)	645 (f)
Greek-Turkish aid	400	..	400
Philippine aid programme	695	170 (g)	525
International Refugee Organization. . . .	74	..	74
Grand total	23,027	10,117	12,660

(a) Shipments held up, balance not likely to be utilized; (b) as of March 31, 1947; (c) The U.S. capital subscription of \$3,175 million plus dollars paid in by other countries through March 31, 1947. The authorized lending power of the Bank is \$8,000 million; (d) the U.S. quota contribution of \$2,750 million plus gold paid in by other countries, partly estimated; (e) estimated approximate cost; (f) estimated expenditures in the President's budget for the fiscal year ending June 30, 1948; (g) \$100 million made available in surplus materials.

Sources: assembled from miscellaneous sources including Export-Import Bank reports, Daily Statement of the U.S. Treasury, Treasury Bulletin, Survey of Current Business, reports of the International Bank, Budget for the fiscal year ending June 30, 1948, &c.

* Compiled by The National City Bank of New York.

VALEDICTION TO INDIA

THE LAST PHASE OF THE BRITISH RAJ

THE imprint of recent events in India upon the mind of the world has been the less for their swift succession. Any one of the major phases in Anglo-Indian relations in the first eight months of 1947, if it had happened at the pace of nineteenth-century history, would have no more needed recapitulation a few weeks or months later than Queen Victoria's Proclamation of 1858, or the outbreak of the Mutiny in the Bengal Army in the previous year, needed to be recalled to memory two or three generations after their occurrence. At the time of writing it is less than six months since the British Cabinet's declaration of February 20, which began the rapid chain of events by setting a time-limit upon British withdrawal from the government of India, and by entrusting the carrying out of the new policy in India to a new Viceroy, Viscount Mountbatten. It is barely two months since Lord Mountbatten sought and obtained the assent of the chief Indian politicians to the partition of British India into two nation States and to an immediate transfer of power under the constitutional convention of Dominion status—that is to say, national independence within the British Commonwealth. Yet February 20 and June 3 have been almost erased from the tablets of public impression by the even more memorable date of August 15, when by her own will and action Britain ceased to be the overlord of India, and two great new independent nations were born.

As astonishing as the speed of these events was the virtual unanimity with which this self-termination of British rule was accomplished, a unanimity all the more remarkable in view of earlier dissension. The announcement of February 20 had its severe critics, not confined to those British Conservatives who saw in it a disgraceful resignation from Britain's responsibilities to the Indian minorities, and generally to the Indian people, to refrain from handing over power until a new constitution had been established by agreement in India, capable of guaranteeing peace and justice for all. There were also many non-party well-wishers of India who disliked it for a different reason. They foresaw the fifteen months' time-limit running out, with agreement among the Indian parties actually baulked by the British declaration itself, since none would agree with his political neighbour in India if he could hope to get more from the British when they were obliged by their own promise to hand over power; so that in the end Britain's retreat from the government of India would have to be conducted under the most dangerous conditions of three-sided political strife. However necessary the declaration may have been to create the conditions for a fresh policy, the new Viceroy's later actions reveal clearly that, once on the spot, he instantly recognized the force of this criticism. The time-limit could not be allowed to run to its appointed end. At all costs it must be anticipated.

Lord Mountbatten perceived equally clearly that the declaration of February 20, in terms of practical politics, was a promise of Pakistan in some form or other—articles of surrender to Mr. Jinnah's seven years' campaign. Fortunately, Indian political opinion, including that of the Congress, had at once drawn the same conclusion, and accepted it as the preferable alternative to a violent struggle in which the present right-wing leadership of the Congress would almost certainly be submerged. Putting these two propositions together, Lord Mountbatten devised a plan which at any other period of Indian politics might have been execrated, but which, matched with supreme skill to the moment, was instantly accepted both by the main political parties in India and by almost every section of British public opinion. The magic formula was immediate practical independence for two Dominions, the decision on India's partition being taken, not arbitrarily by the British Government, but by vote of the areas affected, in such a way that while partition was a foregone conclusion it would cost the Muslims the sacrifice of large non-Muslim-majority sections of the key provinces of Bengal and the Punjab.

Lord Mountbatten's policy represented in effect a reversal, not only of the February 20 policy, but also of a certain trend in British policy towards India, already apparent in 1940, but strongly accentuated by the Cripps Mission of 1942 and by the Cabinet Mission of 1946, with which Sir Stafford Cripps was again prominently associated. British policy appeared to be based on the belief that what chiefly interested Indian political opinion was the ultimate constitutional settlement; all efforts must accordingly be bent towards devising a watertight scheme for evolving such a settlement, while immediate policies would emerge naturally once the long-term future was assured. Lord Mountbatten reversed the priorities, with such instant success that one is tempted to wonder how much happier might have been the course of Indian affairs if Sir Stafford Cripps had been able to offer in April 1942 not a clockwork-smooth piece of post-war constitutional mechanism but a rough-and-ready plan for sharing power during the war; or if the Cabinet Mission had given to the immediate tactics of shifting the load of governmental responsibility as much careful skill and effort as they gave to the long-term strategy of constitution-making under the plan of May 16, 1946.

Another piece of wisdom-after-the-event provoked by the Mountbatten scheme is the conclusion that the Pakistan issue was bound in the end to be settled by the British. Left to themselves, the two Indian parties could never agree, because their respective policies of unity and partition of India were logically and for ever irreconcilable. Mr. Gandhi's mesmeric formula about the absence of the third party should be turned upon its head. In this respect at least, only in the presence of the third party was Indian agreement possible in practice. After the opportunity was lost, before 1945, of saying once and for all that Britain would not take responsibility for handing over India in pieces, eventual decision of the third party in favour of partition became more and more certain. So utterly uncompromising upon the principle of Pakistan has Mr. Jinnah been that those who were not against him were in

the end bound to be for him; only head-on conflict might have broken his will, or disunited his supporters.

The Prospects of Pakistan

SINCE unity was the first and greatest benefit of British rule to India, so the division of India is the first and crucial fact about the plan for ending the British raj. Historical judgments cannot be made on short views, and no more can be attempted here than some interim reflections upon the creation of Pakistan. First, it does not solve the communal problem in India. Minority rights in either of the two nation states will be as difficult to reconcile with the claims of the communal majority as they would have been in a single Indian union. Each will have to face its own problems of electoral weightage, communal registers, representation of minorities in executives as well as legislature, guaranteed proportions in public employment, and all the rest. Cow-killing and music before mosques will continue to be the signal for communal rioting in Pakistan as well as India. Nor is there any substance—or, if there is substance, any comfort—in the theory, often advanced by Mr. Jinnah in the past, that the minority in each country would serve as a hostage for the minority in the other.

On the other hand, the creation of Pakistan has undoubtedly put the Muslims throughout India into an entirely different and more constructive mood. This is well exemplified in the co-operation of non-Pakistani Muslims in the Indian Constituent Assembly, where they have already participated in at least one unanimous vote. The Indian Muslims have acquired a sense of national dignity and security which they would not have had with no nation State of their own, however well guaranteed had been their rights as a minority in a predominantly Hindu State. Their memory of past glories is matched by aspirations to future national greatness. And it is well to note at this point that the emergence of a new Islamic State in the councils of the nations may have a critical effect on the balance of forces among the various groups into which the world is rapidly organizing itself. All this is on the credit side of the amazing achievement of Mr. Jinnah as leader of the Muslim League, which has risen in just ten years from the position of a poorly organized political party, representing a minority of a minority, to that in which it could successfully challenge the British and the Hindus together. The achievement was, of course, considerably eased by the repeated political errors of the Congress under the leadership of Mr. Gandhi and Pandit Nehru.

How Pakistan will fare in practice when it really stands on its own may be a matter of doubt. It is industrially and financially weak, and is left with the major burden of frontier defence without the advantage formerly enjoyed by the Punjab of being heavily subsidized by the rest of India as the main source of military recruitment. Detachment of the Eastern Punjab is a serious blow to its wealth in produce and in people. Nevertheless, in other respects it is stronger than is commonly recognized. It is self-sufficient in essential foodstuffs—a vast advantage over the deficiency areas of the rest of India. Its provincial finances are sound, and with a proper use of its water

power and the development of its ports it has great opportunities of industrial and commercial advance. If Pakistan can have a peaceful start it should be able to survive and prosper.

At the same time it is manifest that the first task of the two new States in their external affairs must be to regulate their mutual relations in a fashion far more intimate than those that normally subsist between foreign States. Wherever the frontiers may be eventually drawn, they can have little natural defensive meaning, and must cut across the lines of trade and communications which have developed freely over all India under British rule. A European type of frontier barricade would be strangulation and folly. While national sovereignty will be jealously cherished, the two new nation States must clearly, in their own vital interests, set up some common organs of administration for defence, customs, communications and currency. On a basis of equality and a free veto it should not be impossible to devise such organs which will work, however defective their theoretical structure.

The States and the Indian Dominions

THREE is a counter-balance to the division of India into two nation States. The short-term tactics and the long-term strategy of Lord Mountbatten's policy have helped towards at least an interim solution of the Indian States' problem. Under the Cabinet Mission's plan, to join in the new constitutional structure would have implied for each of the princely States a complete and—as far as such things can be—final settlement of all issues involved in its accession to the Indian Union. How slow and difficult this process must have been is illustrated by the experience of 1935-39 in seeking the adherence of the Princes to the diarchical Federation. Meanwhile the administrative and political relations between the States and what had been British India could hardly have stood still. Some of the smaller States would have yielded their independent identity to *force majeure*, and at all points friction, delay and confusion were to be expected. An opportunity for a far more flexible approach was afforded by the plan to launch India's independence in the form of Dominion status. For this not only gives to the whole of political India a breathing-space in which to consider coolly the many details of its future constitution, without any sense that thereby complete self-rule is being jeopardized or postponed. It also assures the Princes that, although paramountcy is ended, the ultimate sovereignty of the British Crown remains for the time being, and that by accepting now the supremacy of either new Dominion in certain central matters (together with a standstill arrangement for existing administrative relations with British India) they are only continuing a system to which they are accustomed, without prejudice, so far as constitutional form and legal covenant go, to their long-term future.

For this opportunity to be utilized, three things were necessary: a clear-cut policy on the part of His Majesty's Government, restraint and realism on the part of the Congress and the Muslim League, and a long-visioned statesmanship on the part of Their Highnesses. Through Lord Mountbatten, through Sardar Vallabhbhai Patel as Member for the States Depart-

ment of the new Cabinet of India, and through a host of Princes and their advisers, these qualities have been forthcoming, with the result that India and Pakistan start with the immense advantage of working arrangements with virtually all Indian States. Those arrangements amount to the adherence of the States, for the time being at least, to union for the three major central purposes adumbrated in the plan of May 16—defence, external affairs and communications. Although several States proclaimed their intention of setting up in independence, only Hyderabad appears at the moment likely to keep to this policy with any determination. And Hyderabad itself continues to negotiate with the Indian Union for a treaty covering at least those three major purposes, though terminable, as the Nizam insists, if India should decide to quit the British Commonwealth.

British policy has been to throw all possible weight into the scale for the adherence of States to the new unions, and to give no encouragement to any State, large or small, to seek independent relations either with the Crown in the United Kingdom or with the world at large. This was the only wise policy, and it is a tribute to the broad-mindedness of the Opposition leaders at Westminster that no play was made against the Government with the allegation that we had betrayed the Princes or broken faith with them.

The fact is that all the treaties, engagements, *sanads* and customs which have governed the relations of the Indian States with the British Crown have been based on the assumption that Britain would continue to rule India—that is to say, in constitutional terms, that the Crown in India was the Crown advised by Ministers in the United Kingdom. From the date of the first promise of full self-government to India, the destruction of that assumption was foreseeable and foreseen, and such of the Princes as considered the matter at all knew the promise to imply that they must eventually make their future with the rest of India on such terms as they could, independent of British support or intervention. It is significant that the promises were made in the first place to "India", not to British India alone; and the idea that the States could or should lag behind democratic India in independence of Britain was an afterthought which it was a mistake ever to have encouraged. True, some even of the sagest of the Princes and their advisers deliberately adopted a policy of playing for time, in the hope that the developing tactical situation as between the British Government and the two rival Indian communities would favour them in the terms they could make; but, when the declarations of February 20 and June 3 made it clear that there was no more time to play for, these were for the most part among the first to seize the ripe tactical opportunity for a basic settlement with political India.

That opportunity would have been destroyed by a false attitude on the part of the Congress. Had they continued their policy of threats and coercion towards the States the timid might have succumbed but the stronger or more obdurate would certainly have preferred a struggle, in which, it is true, most of the long-term advantage lay on the anti-States side, but a struggle which would have gravely weakened the former British India itself at the outset of its independent career. Fortunately Sardar Patel, a tough and dangerous

antagonist in opposition, has proved as great a realist in office. He, rather than Pandit Nehru, whose statesmanship, though sometimes on the highest plane, is, to say the least, erratic, has determined Congress policy in this matter during the current critical phase; and the statesmen of Pakistan, always more ready than those of the Congress to give the States good terms, have been content to follow his lead. He saw that, if once a struggle were precipitated, much more than the future of the States might be involved; as an old political incendiary he knew how impossible it is to confine such fires, and how often those who bring the torch are themselves consumed in the flames. He realized that the long-term advantages of democratic India, over against the States as absolutist relics, would have effect quite as much in a state of peace as in one of war. He knew that the vital need for the people of India and for the cause of republican independence which he himself had championed was to launch the new union—Dominion at first—smoothly and with the least opportunity for political violence or administrative disruption. Hence his statesmanlike declaration that all he sought from the Princes was the pooling of their rights in respect of defence, external relations and long-distance communications. These were matters on which the Princes had in fact never had any practical independence.

The instrument of accession embodying this doctrine simply gives the Union the power to make laws for the State in question on those three matters. It requires nothing from them but their co-operation—not a pice in revenue, not a representative nor a vote. It has the political merits of simplicity, even if subsequent disputes reveal its corresponding defects. Its most remarkable provision is a clause whereby the authorities of the Dominion may exercise in relation to the State "such functions as may be vested in them by or under the Government of India Act, 1935, as in force in the Dominion of India on the 15th day of August, 1947". The accession is to the Dominion, and depends entirely upon the continued applicability to the Dominion of the 1935 constitution as amended by the Indian Independence Act. This emphasizes again, not merely the legal freedom of the States to resile from their adherence to the new Indian nation States when the Dominion phase is ended by a new constitution or a declaration of recession from the British Commonwealth, but also, and perhaps even more importantly, the fact that the whole transfer of power is being made across the bridge of the 1935 Act. The labours of Parliament over a period of two years, following the Round Table Conference, have not proved in vain. Moreover, abortive as the federal part of the Act proved to be under British rule, it may yet come into its own during the period of transition until a new constitution, or rather constitutions, can be framed with equal care and deliberation in India. For the Indian Independence Act allows the Governor General to apply, with such adaptations as may be necessary, the federal just as much as the other parts of the 1935 Act. And, if the interim Dominion period lasts as long as seems likely, something more will clearly be required than the stock instruments of accession and standstill agreements to adjust the relations of the States with (or, rather, within) the new Dominions. For while the States have yielded control of important branches of their affairs

to authorities in which they have no voice, they contribute nothing towards the cost of Indian defence or other common functions of government whose benefits they enjoy.

However it may be done, sooner or later there must be constructed a permanent constitutional relationship between the States and whichever of the two new nations they choose—or are obliged by circumstances—to join. That it must be a federal relationship is beyond doubt; so, too, is the extension of the federal sphere of functions at least to the three groups of defence, external relations and communications, and to currency and central banking, which the States have neither the desire nor the means to administer for themselves. Beyond that, there may well be variations among the different States; for it is certain that each State will try to keep in its own hands all those functions of government, especially in the field of economic affairs and social welfare, which it can claim to be capable of discharging. Thus, some at least of the larger States are likely to form units of a federal system as restricted in its federalization of powers as was the proposed Indian Union under the Cabinet Mission's plan, and perhaps even more loosely knit.

India before the Tribunal of the World

ITS capability of working will be watched with the keenest interest, both on behalf of those living under it and as an experiment of concern to the whole world. For such a system, in its broad shape, is precisely that which appears to many people necessary on the international scale to save the world from war—a system in which sovereignty is pooled to the minimum extent necessary to defend the supreme common interest in peace and peaceable intercourse, while leaving each member entirely master in its own house respecting those economic and other matters which require national differentiation and exercise legitimate international rivalry.

Apart from that, the India now taking shape is a rich field for constitutional experiment, notably in devices for the satisfaction of the rights of minorities in "plural communities" and in the development of functional organs of collaboration for specific common purposes which are not federalized in the ordinary way (e.g. railways as between Pakistan and India, or certain economic functions as between either Dominion and its adherent States).

With a great political ambition achieved, and with vast and exciting possibilities ahead in the future, the India which has sought this objective should surely be filled with joyful hope. But in fact such emotions are mingled with pessimism and dread. For many Hindus partition was too painfully heavy a price to pay for independence. Yet it is not partition that chiefly accounts for the depressed and anxious mood of much of political India; the sorrow that it brings to many is balanced by the cheerful release of new ambitions in Pakistan itself. The reason lies rather in self-distrust in face of grave internal and external dangers, for whose mastery the British raj has hitherto shouldered the responsibility. The dangers abroad are those which confront the whole world: the clash of rival ideologies, the breakdown of old sanctions of international conduct and of old systems of imperial stability, and above all the threat of war with weapons designed for the suicide of civilization.

These dangers India meets in inexperience and weakness, and in a position on the world's map which might well make her a cockpit of global war.

Her external weakness is enhanced by her grave internal dangers, which are twofold. India lives on the brink of starvation. In order to hold at bay the Malthusian corrective to an excessive and steadily expanding population—famine and disease—she must greatly and swiftly increase the productivity both of her soil and of her industry. The new Hindu Dominion of India faces this task with the handicap of losing, in the Pakistani provinces, areas which contributed a surplus of food towards the deficiency of India's remaining millions. To achieve what is needed demands not only unusual feats of economic and governmental organization but also a prolonged period of political and communal peace. Therein lies India's second great internal danger. Communal tempers have been assuaged for a while by the simultaneous achievement of Pakistan for the Muslims and independence for all India; but the causes of trouble remain, and bitter indeed are the memories, and stern the resolutions upon revenge. It will be a miracle of political skill and human forbearance if India and Pakistan get through their first few years of independent life without major disasters of inter-communal conflict. And if, through such disasters or any other cause, the rapid improvement of India's productivity in field and factory is interrupted, many millions will die prematurely, according to the inexorable law of nature which prescribes the minimum on which a human being can live in health. Meanwhile the vultures are already hovering in the brassy sky of world power-politics.

Such being the dangers, there is still a strong section of British opinion which feels it a defeat and betrayal of the highest national duty to have passed over our responsibility to hands less practised at least, and perhaps inherently less capable, than our own: some would say, a betrayal of India to the politicians. There is much that is sound as well as noble in this view, so often mocked by those whose political motives are far baser. If British will and British resources were still matched to the task, another decade of British rule, with all the lessons of economic as well as political experience thoroughly learnt, might well leave a more united, peaceable and prosperous India than is likely to emerge after ten years of independence. But neither the will nor the resources are to-day so matched. And the tasks of reconstruction in India are such that an alien power, inherently feeble in imposing the necessary social revolutions, is under a serious handicap by comparison with one supported by the people's suffrage. Indians, far more easily than British, can enforce agrarian reform in India, upset ancient social customs and religious usages, take the powers and the property needed for national economic policy, defeat the rising force of Indian Communism, and do all else that will be necessary for India to catch up with the middle decade of the twentieth century.

The Legacy of British Rule

THAT she has a long way to go to catch up may be charged for blame upon the British Government with its long reign in India. It will be many years before history can strike a just balance-sheet between loss and

gain in the economic and social history of India under the British raj, and perhaps there is more to show of loss than British opinion usually recognizes. But much would have to be found on the adverse side to outweigh the achievements of the great irrigation works, the roads and railways, the major industries, in which, almost without exception, British enterprise pioneered the way, and above all the peace and security which are the condition of economic welfare.

It is not indeed in the economic field that, in the long view, either Britain or India will look for the true criterion of the British connexion's value. Britain brought to India a standard of good government, equal justice and uncorrupt administration which India had never known and is unlikely to surpass. Its memory and its example are Britain's fairest gift at parting. That British justice led to excessive litigation and a surplus of lawyers, that corruption is a relative term and the pull of the old school tie may be as unjust as that of the customary bribe, that good government is no substitute for self-government, are criticisms which take away nothing from the value of that example, however India in her own wisdom may adapt it. Supreme in the British system has been the idea of the rule of law, and of constitutional government. There was a grave danger that all this—priceless to India with her under-current of internal conflict—would be lost through revolutionary transfer of power. That was the threat of the Congress rebellion of 1942, and to defeat it has been the supreme achievement of the British Government and successive Viceroys. Power has been handed over by constitutional process; the rule of law has not been defied; authority in India derives no less after August 15, 1947, than before from lawful appointments under a continuous legal sovereign. Looking back to some of the dark days since 1941, we may rank that last achievement as among the greatest of the British in India.

THE LAND OF FIVE RACES

PROBLEMS OF COLOUR IN SOUTH AFRICA

TO attempt, in the compass of a single article, to cover the whole coloured problem of South Africa is to attempt the impossible. The most that can be achieved is to give a broad sketch of the position as it exists to-day, followed by an outline of the policy contemplated by the Government. South Africans have been disturbed more than they usually care to admit by the concentrated venom of criticisms voiced at Lake Success last year. Although the first reaction was one of resentment at the obvious malice and ignorance of many of the speakers, a tendency to re-examine the national conscience soon became evident, and many to-day are much better informed of the issues than they were. The result has been a noticeable impulse of liberalism, tinged, of course, with a recognition of hard facts which was absent in the discussions at UNO.

What are these hard facts? The first is that the great mass of our 7,700,000 natives—and the same applies to the High Commission territories of Basutoland, Swaziland and Bechuanaland and to the Rhodesias—are still sunk in ignorance and superstition, and dogged by poverty which is due at least as much to their own defects of character as to drought and lack of sufficient land. They no longer starve when times are bad—the Government sees to that—but they do suffer much from malnutrition and the diseases that follow in its train. Although the natives have only 12 per cent of the country in their reserves, this includes much of the best land. But even the best land needs careful handling, and the state of the reserves to-day forms a tragic commentary on the destructiveness of man. In justice, let us add that many European-owned regions are little better.

Poverty spells apathy and apathy spells idleness. Well-fed and well-led, the native can be a first-class worker. In his own kraal he is indolent. Just enough work to meet essential needs and no more is his rule.

That is the raw material. Missionary work, government help in agriculture, education, both in school and in industry, are making the material more malleable, but a real transformation must obviously take two more generations at least.

To the South African who likes and admires his "boys" for their willingness, good humour and capacity for work, while often annoyed beyond endurance by their occasional stupidities and sullenness, the suggestion that, given a couple of quick hoists, the native could be brought to an economic and intellectual equality with Europeans seems fantastic. You cannot bridge two thousand or more years in a decade.

The second hard fact touches the European attitude. The trouble here is fear—and fear from two widely different sources. The first is based in history. It is only a hundred years since the Dutch pioneers, invading from the South, were locked in a life-and-death struggle with the black hordes invading from the North which ended at Blood River, and much less than a hundred years since the question of white supremacy was finally settled at

Ulundi. To-day it may be said that the fear there engendered has become an anachronism. But historic fears are not easily dissipated, and it is a fact that the descendants of these pioneers still regard the natives as a potential danger, although the fear is motivated less by violence than by votes. Fear breeds cruelty and repression. We still see signs of both, especially in the Transvaal, and unscrupulous politicians are not above capitalizing the fear for their own purposes.

The other fear is economic—that of the white artisan who scents danger to his standard of living in the cheap labour of the native. To the native this is the worse fear. Casual cruelty he regards as an act of God and soon forgets. Attempts at repression through Parliament can count on stubborn opposition and generally fail. But economic fear works through administrative measures and especially trade-union rules and regulations, excluding the native here, hedging him in there, and by implication condemning him for ever to unskilled labour. Seventy per cent of registered trade unions do not admit non-Europeans. This is the real colour bar, and it is imposed not by Parliament or the Government but by men of the very class who in England would be sturdiest in their support of free opportunity for the native in Africa. The most startling manifestation of it in recent times is the opposition of the building trades unions to a government scheme for training natives as building artisans so that they could be employed to assist in overcoming the deficiency of native housing. To the man in the street it seems a matter of common sense, as well as of common justice, that native houses should be built as far as possible by natives. The building artisan sees in it only the thin end of the wedge.

Irrational as they may be, these fears are facts which have to be taken into account by statesmen. And while they last a satisfactory long-term policy for improving the native's lot is difficult to frame and still more difficult to carry out. Mr. J. H. Hofmeyr, the acknowledged leader of Liberal opinion, has had to confess that he sees no clear-cut approach to the native problem which leads to a determinable and final solution. An attempt to picture what the country ought to look like, or will look like, in a hundred years' time leads to realms of fantasy. It is more profitable to consider what are the native's immediate needs and what can be done to meet them.

The Hofmeyr Policy

IN the Hoernle Memorial Lecture of 1943 Mr. Hofmeyr summarized these needs by saying that the native is entitled to facilities for development of the best that is in him, in terms of education, health, housing, nutrition and better living conditions. As a short-term policy this could hardly be bettered, except in one respect. The first need of every human being is justice and security. Before the law the native stands on an equality with the European, and the security he enjoys is a very real thing. But although lynch law and race rioting are unknown, and cases of cruelty have greatly diminished, there are still too many of such cases and they are not always adequately punished. In the sense that punishment for the same crime is more severe for natives than for Europeans, it can be said that there is one law for the white and

another for the black. And then there are the Pass Laws which are a constant worry, landing many respectable natives in jail.

The bread-and-butter policy outlined by Mr. Hofmeyr has made great strides in the last few years, largely under his own inspiration as Minister of Finance. The vote for education has gone up from £543,000 in 1926-27 to £3,400,000 in 1946-47, including £860,000 for school feeding. Well over £1,000,000 a year is now paid out to natives in old age, disability and blindness pensions. More millions have been found for sub-economic native housing. The shocking position in several large towns to-day is due not to lack of money but to lack of labour and material. Native wages have risen considerably, partly under the impetus of Wage-Board decisions. By and large, the urbanized native is better off than ever before. There is plenty of unskilled work, often paid at surprisingly high rates. Hence the rush from the reserves to the towns, which has upset all municipal plans and created chaotic conditions in Johannesburg and Cape Town. Economists and business men now speak of the absorption of the native into industry as essential for the prosperity of both races. The native evidently agrees.

As to higher things, the last serious step was taken in 1936, when the Native Representation Act for the first time gave the natives of the Transvaal and Free State representation in Parliament, set up a Native Representative Council to advise the Government, and established a Native Trust Fund which has added some 7 million acres to the Reserves at a cost of nearly £6 million. This was the farthest point to which public opinion could be dragged at the time, and it marked a notable advance. Recently native leaders have again grown dissatisfied. In November they suspended sittings of the Council *sine die* as a protest, and last month they decided to boycott the election of a representative in Parliament when death created a vacancy. That they have not yet achieved a sense of responsibility may be deduced from their demand that all discriminatory legislation should be abolished. As Mr. Hofmeyr incisively pointed out to the Council, the first effect would be that the reserves would be thrown open and the restrictions on the sale of European liquor to natives withdrawn. There are more legal discriminations for the protection of natives than for the protection of the European.

At a meeting with the Council last November General Smuts adumbrated two new moves. One is to legalize native trade unions—they cannot be registered under the present law—the other, to test the capacity of the native for administration by handing over the administration of the reserves to the Council, which would become an all-native body. This will not satisfy Dr. Xuma and his friends, but it raises questions of great interest as to the native ability to govern. The time is ripe for a trial.

Broadly speaking, the Government policy is a bread-and-butter policy benefiting the rank and file, coupled with a gradual, very gradual, advance on the political level to satisfy the natural aspirations of the small body of intelligentsia, many of whom have left tribal conditions far behind.

But the fact remains that the vast majority of South African natives are still in the tribal stage and that the Government must, for a long time to come, regard its duties as those of a trustee. There is a tendency nowadays in

advanced circles to regard trusteeship as merely an excuse for repression. To the educated class of native it is little more than a red rag to a bull. At the moment that attitude is a trifle absurd. The mere existence of the reserves, in which more than half the native population have their permanent home, and the expensive efforts made, with full native concurrence, to increase them, are proof that trusteeship exists and cannot be dispensed with. Inadequate as they are, the reserves enable vast numbers of natives to make the best of both worlds; they have a haven of rest in the reserves and full access to the labour market in the rest of the country.

Ultimately, it seems certain that trusteeship will go. The breakdown of the tribal system, increasing absorption into town life as industrialism goes ahead, the natural desire of the native for a higher standard of living, the desiccation of the reserves themselves, all contribute to turn the average native from a kraal-dweller, with excursions into industry, into a "wage-slave", just as in the 'sixties the English agricultural labourer became a textile operative in Manchester. He will no longer need the special protection that was necessary when he was first exposed to contact with modern ideas. But that time is not yet, and those who encourage native leaders to agitate at the present stage for full equality are doing the native a very great disservice. He still requires help and support along the rough road he has to travel.

The Coloured

THE problem of the coloured people, though not simple, is considerably less complicated. There are some 900,000 of these, of whom 90 per cent live in the Cape Province—mainly descendants of the slaves and servants of the original Dutch settlers. Their chief characteristic is the lack of definite characteristics. A native is a native, but a coloured man may be anything from a near-white to one indistinguishable from a native, and a caste-system keeps them divided. At the top the near-whites approximate to whites, often mix with them socially and occasionally enjoy the minor triumph of having a child admitted to a European school. It is this class that produces the leaders whose policy it is to keep in with the Europeans as a means of advancement. At the bottom is the large class of agricultural labourers and unskilled workers who, permanently underpaid and underfed and consequently for the most part of poor physique, constitute the real problem. In the centre is another large class from which domestic servants, artisans and factory workers are drawn—on the whole a self-respecting and industrious class. Economically, the war brought great benefits to these two sections. Thousands enlisted for the transport services at high rates of pay and with liberal family allowances. Those palmy days are over. But they have left an aftermath in improved wage-rates which should carry on into a better future. Many grievances, however, remain, and the coloured people can only be regarded broadly as a depressed class. In the upper strata they compete unequally with Europeans; in the labouring class they compete even more unequally with natives; and between the upper and nether millstone they undergo a perpetual squeeze. They are a happy-go-lucky, rather improvident crew, whose poverty is made much worse than it need be by

enormous families, and this fecundity as usual brings a high death-rate and an alarming incidence of tuberculosis. Their worst enemy, however, is drink. Within a few years three government Commissions have reported in sombre tones upon the deplorable ravages of drunkenness among the coloured people and have made recommendations for reducing it. So far nothing has been done; and it must be confessed that in a wine-producing country the problem of keeping drink away from one section which cannot control its desires is extremely difficult. Apart from these faults of character, the coloured people suffer, like the natives, from the colour bars. Social bars do not seem to worry them. Benches labelled "Europeans only", and separate beaches for bathing, separate cinemas, schools and so on leave them almost unmoved, but General Hertzog's White-Labour policy of 1924, which led to a reduction of 13 per cent in the proportion of coloured to European employees in the railways, was a bitter blow, and they suffer equally with the native from trade-union intolerance, which debars them from apprenticeship in a number of trades. Politically, they are in a much better position than the native, inasmuch as in the Cape Province they can be registered as voters on the common roll on complying with very elementary property and educational qualifications. But their own leaders complain of widespread apathy in this respect. Proportionately, very few take the trouble to enrol.

The coloured problem is very well understood in the Cape. Educationally, progress has been tremendously accelerated. At Cape Town and Port Elizabeth municipal health and housing services have been pushed ahead, although much slack remains to be taken up. At present the chief trouble is that the Government at Pretoria knows nothing and cares less about this particular worry of the "shank-end", and the old promises of General Hertzog that the coloured people would be assimilated to Europeans, politically and economically, have long been forgotten. In part, this may be responsible for the sag in morale which distresses their friends. Whether that is so or not, it cannot be denied that the coloured people have not done enough to help themselves and one another. Instead of fighting their own battles they have depended too much upon the crumbs from the white man's table. On the other hand, the policy of their leaders in refusing to link up in a common front with the natives and Indians is clearly justified. From such an association they stand to lose much and gain nothing. Even if this were not so, social prejudice would stand in the way. A deputation from Durban recently asked the Prime Minister to rule that coloured people should not be expected to share compartments of the railway with Indians and natives.

General Smuts has once more promised that the coloured people will be treated as an "appendage" of the European population, but there is no reason to suppose that the immediate future will bring any material changes, especially with an election in the offing.

The Indian Problem

THROUGH the events at UNO last year the Indian problem has received a disproportionate amount of attention in the world press. In fact, it is of minor importance compared with the other two. There are only 280,000

THE LAND OF FIVE RACES

Indians, of whom some 16,000 are in the Transvaal and the rest mainly in Natal. Transvaal Indians are Moslems and petty traders, who in spite of many repressive measures in the past have survived and prospered. Except for a recent boycott campaign which caused them anxiety, they have few troubles to-day and only ask to be left alone. Public opinion is generally in their favour and against persecution. The Natal Indians enjoy a less friendly environment. The descendants of Hindu members of the oppressed castes ("untouchables"), who were imported under contract for work in the cane-fields, have multiplied at a disturbing rate and have shown a marked tendency to desert farm labour in favour of town life. It was this development that led, through a long agitation, to the residential restrictions embodied in the Act of 1946. But it must not be inferred that European opinion in Natal, except for a few extremists, is actively hostile to the presence of Indians. On the contrary they are widely recognized as a useful, almost indispensable, branch of the body economic. What Natal aims at is a continuance of what may be called social segregation—the natural tendency of people of differing races and colours to keep to themselves in their social relations. In this respect General Smuts has made it clear that the policy of the Act will remain the policy of the Government, namely, maintenance of the present measure of residential separation, coupled with an initial measure of representation for Indians in Parliament and Provincial Council and a renewed drive for improved educational, health and housing facilities.

Certain points deserve to be borne in mind. One is that the Act is not a "Ghetto Act". So far from confining Indians within a limited area from which others are excluded, it does not move a single Indian from his present residence or place of business. It merely shuts off certain areas as predominantly European in which he may not own or occupy land. Elsewhere he is as free as before. Secondly, the process of raising Indians of the class imported to civilized standards of life is heavy and very expensive. It has hardly been attempted in India. In Natal not nearly enough was done in the early years. More recently great progress has been made, and to-day the Natal Indian is incomparably better off in every respect than his kinsman in India. Thirdly, the average Indian understands this very well and would prefer peace to the perpetual agitation fostered from India in the last few years. It was a misfortune that the "wild men" gained control of Congress and embarked upon the slippery path of passive resistance. Now that that piece of stupidity has failed, there are signs that the men whom they displaced are regaining control. Lastly, the Indians have suffered, like the coloured people, more from their own excessive birth-rate than from any disabilities imposed upon them: and as improved hygiene reduces the death-rate, the position in this respect tends to grow worse instead of better. While this disastrous fecundity persists a large degree of poverty and malnutrition is unavoidable. The most recent figures show that the Indian birth-rate is 44 per 1,000—much the same as in India—but the death-rate is 19 per 1,000 instead of 34. The European rates are 26 and 9.5 respectively.

Union of South Africa,
July 1947.

THE SOUTHWARD BASTION

PROBLEMS OF SECURITY IN THE INDO-PACIFIC AREA

TWO recent events, the British decision to withdraw from India and the proposed withdrawal of United States naval forces from their advanced bases to the Central Pacific, must have a profound effect upon the distribution of power in the Indian Ocean and the South-West Pacific. They must influence, in the course of time, the manner in which the British Commonwealth is likely to develop in these areas. That it will continue as a society of nations, that it will still be bound together by common interest in defence, economics and culture, and that its centre of gravity may move outside Europe in future are opinions which have wide currency in Australia. But whether the Asian and African elements which now constitute the majority of its citizens will continue within the British Commonwealth, and what will be the future relations of the Dominions to these areas, are questions which must be faced in the not too far distant future and have not yet been fully examined in Australia. Considerable time must elapse before the full political and strategic implications can be assessed. The immediate reactions are important only in so far as they indicate a possible trend in policy and opinion. In Australia these reactions have been along the lines of the assumption of increased responsibility within the British Commonwealth system, coupled with genuine public fear of isolation. These underlying factors explain the diplomatic action taken, the strategic opinions expressed and the post-war defence policy recently announced.

Australian External Relations

THE announcement on February 20, 1947, of the intention of His Majesty's Government to transfer power to responsible Indian authorities by June 1948, was immediately welcomed by the Minister for External Affairs. In a statement in the House on February 26 Dr. Evatt expressed the hope that there would be no permanent severance of association between the British Commonwealth and India. He emphasized the need for intimate future co-operation between India and Australia, saying that the destiny of Australia was inextricably linked with events in this part of the world, in which the Australian people were the trustees of British democracy. The Minister followed this statement with a proposal to Pandit Nehru for a regional conference of the countries of South-East Asia to discuss matters of common interest in economics and defence. Although this proposal was politely acknowledged, it was soon apparent that the Indian leaders considered that a regional conference was untimely, since they were beset with pressing internal problems. Moreover, the Congress party's conception of Australia as an appendage to South-East Asia, implied at the proceedings of the Asian Relations Conference at Delhi in March, was scarcely in line with Australian ideas. It is understood that the scheme for a South-East Asia

regional conference has been shelved for the present. But the announcement by the Viceroy of India of his proposal for the early transfer of power to one or two Dominions was made the occasion in a further ministerial statement on June 6 to reaffirm Australian friendship and goodwill to India.

In this statement the political implications of the release of new national forces in South-East Asia and of the curtailment of British commitments in the countries adjacent to the lines of communication to Australia were examined in some detail. Australian responsibilities were defined as the maintenance of the whole of the British Commonwealth position in South-East Asia and the Pacific. At the same time, the need was emphasized to help the peoples of these areas to achieve their legitimate aspirations. The British public was reminded that there were many general interests in the Pacific and Indian Oceans to be safeguarded by the closest co-ordination of British, New Zealand and Australian effort, and that British political thinking showed little apparent interest and less concern in these problems. Any Australian assumption of increased regional responsibilities was said to presuppose a high degree of political co-operation in these matters. Partly as the result of the fact that the Minister's statement was tabled immediately before the House of Representatives went into recess, there was no parliamentary debate upon it and only perfunctory comment in the press.

Turning to the Pacific the Commander of the United States Pacific Fleet, Admiral Denfeld, recently announced the intention to concentrate the U.S. naval forces in the Central Pacific. This decision, made largely as the result of cuts in the U.S. naval estimates, involved the abandonment of any claim for rights to use the large fleet anchorage and base at Manus Island, in the Admiralty Group, north of New Guinea. This base was constructed by the U.S. Navy at the cost of about 150 million dollars during the war, and is well located as a forward naval base for the defence of the South-West Pacific area. The question of its future use, either by the United States alone or jointly with the British Commonwealth, was at issue between the U.S. Naval staff and the Australian service authorities shortly after the termination of hostilities. There is little doubt that an agreement upon joint use would have been extremely advantageous to the security of the South-West Pacific. The strategic implications of withdrawal were modified by the visit of a United States task force to Australian waters and by cordial but general suggestions upon the need for closest liaison between the R.A.N. and the U.S. Pacific Fleet in peace.

The withdrawal from Manus Island again made clear the vital need for the effective disarmament of Japan. Dr. Evatt, pointing to a tendency towards the piecemeal settlement of outstanding issues with Japan, took the initiative to arrange a preliminary conference among British countries concerned with the Japanese settlement. This conference is expected to meet in Australia in August and to consider the special machinery of control and inspection necessary to ensure that Japan shall not again be permitted to menace the security of the Pacific and South-East Asia.

Finally, diplomatic measures have been taken to strengthen Australian relations with our immediate neighbours. The prolonged embargo on Aus-

tralian trade with Indonesia seems likely to be terminated as the result of direct negotiations with the Indonesians and the Dutch. This embargo has been due to the refusal of the Australian waterside workers to handle Dutch cargo in Australian ports, to the Dutch naval blockade of Java and Sumatra, and to currency difficulties. The Governor of Portuguese Timor has been invited to Australia in the hope that informal discussions will open the way for an extension of the war-time understanding and close ties between the Australian and Portuguese Governments upon defence, commerce and air communications. An Australian expedition to the Antarctic is preparing to depart in November with the object of establishing permanent meteorological and research stations in the area claimed as Australian territory and, presumably, to assert effective occupation of the area.

The Australian policy resulting from the changing conditions in the Indian and Pacific Oceans has thus been fourfold. First, it apparently assumed a greater regional responsibility in the interests of the British Commonwealth. Secondly, it desired to maintain the goodwill and friendship of the peoples of South-East Asia and to help them to achieve their "legitimate aspirations": presumably, their freedom from European colonial control. Thirdly, it took active steps to ensure the continued disarmament of Japan. Fourthly, it took special measures to settle outstanding regional differences.

It is difficult to assess the degree of public support which these measures have received. The need for an early and satisfactory settlement with Japan is universally recognized and the desirability of good neighbourly relations has, at least in theory, the assent of the Australian public, traditionally apprehensive of Asia. But proposals to assume greater regional responsibility have been described as pretentious by Opposition members during the short and limited debates on foreign affairs which the Government has so far permitted. Thus it is open to doubt whether the scope of diplomatic action proposed is appreciated by the public and whether it is consistent with the military and economic forces available and the strategic risks apparently incurred.

Strategic Factors

FOR the time being Australia enjoys almost complete security from external aggression. Sea-borne invasion is impossible unless an Asian Power succeeds in building substantial naval and air forces. In practice Japan is the only Power industrially capable of such a feat. Whilst the U.S. naval forces control the Central Pacific, the chances of a Japanese resurgence are small. The main Australian centres of production are out of range of existing weapons, with some qualifications, and it is a fair presumption that Australia would be no more than a rear base should a conflict arise in the Middle East or East Asia in the immediate future.

The political changes in the Middle East and in South-East Asia seem likely to require British Commonwealth decisions upon the future location of the main British bases in this area. The problems involved are complex and dependent upon the relation of the Indian Dominions to the Commonwealth. Fears have been expressed in Australia that the Indian Army may be

so weakened as the result of partition that the way may be opened for active Soviet intervention at some later date. Accordingly, it is argued that no effort should be spared by the British Commonwealth to preserve political and military stability in India in the interests of security.

The matter is not quite so simple as some Australian commentators have believed. An influential section of the Congress party has definite views upon the status that India should enjoy as the predominant Power in defence of the Indian Ocean. A leading advocate of this point of view, Sirdar K. M. Pannikar, contemplates an Anglo-Indian treaty which secures for India the joint occupation of such key points in the Indian Ocean as Singapore, Mauritius and Sokotra. On the surface, a regional extension of Indian responsibility would be in line with Australian conceptions and act both to protect India and to safeguard British Commonwealth communications. Unfortunately the Indian attitude, in so far as it was correctly expressed at the Asian Relations Conference, is similar to that of Egypt before the second world war. The Indians appeared to want a guarantee of British Commonwealth support, and to expect Britain to assume the financial burden involved, but were reluctant to agree to reciprocal action by India in the interests of the Commonwealth as a whole. An extension of Indian regional responsibility on these terms would probably be disadvantageous to the British Commonwealth and in particular to Australia. These issues await elucidation when the terms of partition are settled.

A further aspect of the same problem is the wisdom or unwisdom of a British Commonwealth commitment to Pakistan and Hindustan which may involve it in the local defence of India. The military issue is that, if such a commitment be made, the main British bases would need to be in either India or Ceylon. Otherwise bases in Africa and Australia would be sufficient to retain control of the Indian Ocean and could be held securely at little cost. The extent to which Britain should maintain a costly military organization in the Indian Ocean area is questionable, and suggestions have been made that Australia should assume responsibility for garrison duties at Singapore and elsewhere in this area. It has been pointed out that the relative *per capita* cost of service establishments and the proportion of persons retained in the armed forces is much higher in the United Kingdom than in Australia. It has been suggested that Britain is entitled to tangible Australian support to reduce this burden.

These considerations suggest that it will be necessary to choose between three methods of organizing Commonwealth security in the Indian Ocean: either the replacement of British garrisons by Australian forces, or the extension of Indian authority, or the withdrawal of the main British bases clear of the Asian continent coupled with an Anglo-Indian settlement which does not impose major commitments on either party. The first choice runs counter to the Australian desire to maintain the friendship of the peoples of South-East Asia. The second would place an Asian Power in the position and with the means to jeopardize Australian security. The third policy is consistent with the reduced value of Singapore as a major base and the substitution of African and Australian bases such as Cape Town and Sydney as

the focal points of Commonwealth defence. There can be little doubt in which direction Australian interests lie.

It is necessary to refer to the sea and air routes across the northern Indian Ocean. These routes are not essential to Australia in war, since alternative communications are available or can be developed. Australia is at present dependent upon the Middle East and Indonesia for supplies of oil. It seems likely that, in the immediate future, supplies could be drawn in emergency from one or other of the existing fields. Thus Australian vital interests would not be immediately threatened by an extension of Soviet influence in South-East Asia.

A final word is necessary upon the bearing of technical developments, such as atomic and biological weapons. The general opinion is that a period of not less than ten years is likely to elapse before the range of guided missiles armed with atomic explosives and bacterial containers can span the inter-continental space. For the moment these lethal weapons cannot be used in quantity beyond heavy bomber range. The Australian capital cities are out of range except from New Caledonia and possibly from Indonesia, countries which are friendly. But Australian security lies rather in the unimportance of the Australian industrial centres as a strategic target. The big Powers possess at the moment only a limited quantity of the weapons developed since the second world war and, should hostilities open, such weapons would be employed against more profitable targets. A military decision, in the short run, would be reached in other parts of the world, and Australia would be obliged to conform to it.

The long-range prospects are not so encouraging. Should an Asian Power emerge with the industrial capacity to manufacture guided missiles in quantity, then the possibility that such weapons would be used against Australia in the first instance cannot be excluded. The demographic trend of population in East Asia is such that a large increase in numbers will follow stability and industrialization. Such an increase would impose a very great strain upon the agricultural resources of Asia and could lead to conditions in which a substantial migration from the Asian continent became an international issue. Although the portents in East Asia point to a prolonged period of disorder, the ultimate risk of a mass migration from Asia is one which the peoples of the sparsely populated lands in Africa, Australasia and the Pacific must recognize. They can do little or nothing unaided to prevent it, if the peoples of Asia achieve technical equality in industry.

These strategic factors suggest that Australia does not need to maintain large defence establishments. On short term, the importance of Australia as a secure base of operations for both the Commonwealth and the United States has been confirmed and the immediate need is to retain the minimum establishments to secure this function. On the long term, the risks of inter-continental warfare are unpredictable. Australia requires to maintain active research upon the latest developments, to build up an industrial potential and technical efficiency as a deterrent to opportunist attack, and to develop close co-operation within the British Commonwealth and with the United States in regard to the defence of the South-West Pacific area. The recently

announced Post-War Defence policy manifestly attempts to satisfy these requirements.

Post-War Defence Policy

A COMPREHENSIVE statement upon the Australian Post-War Defence Policy was made by the Minister for Defence on June 4, 1947. It outlines the steps to be taken to give effect to the basic principles of defence formulated in the Governor-General's speech of November 6, 1946, viz., to maintain forces for local defence, for co-operation in the defence of the British Commonwealth and, if required, to be used by the United Nations for the preservation of international security. The plan proposes an expenditure of £250 million over a five-year period or an average annual vote of £50 million, that is, about 3 per cent of the national income. This annual vote is to be shared by the departments of Navy, Army and Air, the Defence Department which co-ordinates their activities, and the various departments concerned in research, development and munitions.

The four guiding principles adopted by the United Kingdom upon the supply of equipment for the post-war forces, namely, concentration on research, the limited introduction of equipment of the most modern kind, the greatest possible use of accumulated stocks, and the maintenance of a reasonable war potential, are accepted. An average annual expenditure of £6.7 million is to be incurred upon research and development. The main item in this programme is the Guided Missiles Project in Central Australia, to be begun immediately in close collaboration with expert British staffs. Higher organization has been strengthened by the establishment of two committees, a Scientific Advisory Committee and a New Weapons and Development Committee.

The greater share of the service vote goes to the Navy because of the necessity to build up vessel strength in time of peace. The naval programme, costing £15 million per annum, aims at building up a balanced force capable of operating independently and backed by shore establishments for its maintenance. It also includes escort vessels for the protection of shipping and survey vessels to continue the surveys necessary in Australian waters. The squadron, at the end of the five-year programme, would consist of two light fleet carriers, two cruisers and six destroyers. It is proposed to establish an R.A.N. base at Manus Island in place of the present base at Dreger Harbour, New Britain, and to grant facilities there, if required, to the U.S. Navy.

The Army plan provides for the maintenance of Permanent Forces of 19,000 and Citizen Forces of 50,000 men. The Permanent Force is intended to include an independent brigade group, of three infantry battalions, an armoured unit and supporting units. The Citizen Forces are to be organized on a volunteer basis in a Field Force of two infantry divisions, one armoured brigade and selected corps units. The annual period of Citizen Force training remains unchanged at 14 days' camp and 24 days' home training. The annual cost of the scheme is estimated at £12.5 million.

The Air Force plan provides for a small Permanent Air Force capable of rapid expansion in emergency, a training organization planned to meet the

initial commitments of mobilization, the essential elements of an aircraft industry, and a system of air bases for the strategic deployment and tactical operation of the Air Force. The organization includes a static Home Defence organization of seven squadrons, including interceptor fighter and reconnaissance units. This is supplemented by a group of Task-Force elements, including fighter, bomber and transport units, capable of use in emergency as a mobile force for strategical purposes and in support of the other services. The post-war Air Force would have a strength of about 13,000 men and a unit equipment of 144 first-line aircraft with adequate reserves of operational and training types. The annual cost is estimated at £12.5 million.

The post-war plan develops the machinery for co-operation in British Commonwealth defence by co-opting the High Commissioners of the United Kingdom and New Zealand as additional members of the Australian Defence Council and by giving permanent status to the Joint Services Representatives and Staffs from the United Kingdom and New Zealand, now accredited to the Defence Department in connexion with the British Commonwealth Force in Japan. The organization developed during the war, for national planning in emergency and for civil defence, is to be continued in skeleton form in peace.

The Government proposals, which have had a mixed reception, will not be debated until the House resumes in October. Army leaders, including General Sir Thomas Blamey, described as suicidal the decision not to revive compulsory military training. The Air Force plan has been criticized on the grounds that it ignores the lessons of the air warfare in the South-West Pacific and provides only a striking force of negligible size. A more balanced view suggests that the plan should be taken as no more than an interim programme that in essence reflects serious doubt and uncertainty as to the future of defence weapons. From this point of view the allocation to research and development may well prove to be upon too modest a scale. Field-Marshal Lord Montgomery emphasized this aspect of defence in recent addresses in Australia. Defining the five elements of national strength as a strong national character, a good organization for scientific and technical research, a powerful industrial potential, well disposed, a small regular defence force backed by a citizen-force organization and, finally, preparedness, he laid the greatest emphasis upon research.

Broadly, then, the Australian defence policy provides an adequate force to meet any immediate danger attributable to the changed political and strategic position in the Indian Ocean and South-West Pacific areas. It shows a realistic acceptance of the obligation of preparedness which the present unsettled state of the world imposes upon all Governments and Powers.

Commonwealth of Australia,

July 1947.

BURMA: WHAT NEXT?

AFTERMATH OF THE MURDERS IN RANGOON

THE news of the murder of U Aung San, Thakin Mya and their colleagues must have come as more a shock than a surprise to those who have been in any way intimately connected with post-war developments in Burma. Whatever virtues Aung San may otherwise have possessed—and he was by no means devoid of virtues—he himself was no stranger to the use of violence, so that it was always a fair bet that at some time he would have violence used against him. The shock is that some political group in Burma has in fact resorted to assassination. Hitherto the Burmese have prided themselves on their freedom from political murders; it is disturbing that this method of getting rid of political opponents should have crept into Burmese life. It is difficult to see where it will end. There have been a rebellion and riots in Burma, but these are quite different from the killing of selected individuals and are much easier for the authorities to handle. It probably would be quite easy to quell a general uprising in Palestine, but we are finding it mighty difficult to cope with the underground movements. The assassin is a difficult fish to land.

Did Aung San expect this to be the sort of end which was in store for him? The writer has a vivid recollection of one conversation which he had with him alone. Aung San was a lonely little man in a big position. He said that he had only two intimate friends and went on to explain that in Burma, as elsewhere, popularity could not last for ever. He reckoned that he might be able to hold his position for about three years—but for no longer than that. At the time of this conversation Aung San was in the process of putting a number of rods in pickle for use against us. He was organizing and drilling his private army, the PYT; he was supporting and instigating industrial strikes to embarrass the administration and was doing nothing to discourage dacoit leaders; and under the banner of his Anti-Fascist People's Freedom League the Communists were in places conducting "No-Rent" and "No-Revenue" campaigns in the country districts. Aung San's argument was that in a fight for freedom the end justified the means and that, whatever the consequences might be, he was right to stir up as much trouble as he possibly could. He was asked whether he thought that he would be able to control the more lawless elements among his followers when he came into power. For example, would he be able to restore law and order by giving orders to dacoit bands to stop their activities? The writer had no reason to disbelieve him when he replied in the negative, protesting that he was being credited with much more power and authority than in fact he possessed. He spoke freely of the difficulties which he was experiencing with his "wild men" in the inner councils of AFPFL, and by no means resented a warning that in due course he might find himself being belaboured by those self-same rods which he was pickling for our benefit. To the question what he thought would be the future of AFPFL after the elections,

which clearly he would win, he replied to this effect: "We shall win by a large majority. Once we are in office AFPFL will begin to disintegrate. There will be a scramble for office and for power. While my popularity with the masses remains, I may manage to keep the League together, but after that has gone there is no saying what may happen."

Après moi . . . has not every dictator said these words? Aung San was of the stuff out of which dictators are made, but undoubtedly it was his personality alone that prevented disunity in the ranks of AFPFL and rallied the people to support the League. Yet even in his fullness of power he could not maintain a completely united front, being forced to dismiss two of his Executive Councillors, U Ba Pe and the Communist Thein Pe, and to expel both Communist parties from the League. But in spite of this his name and fame won a resounding victory for AFPFL at the elections. Even though many Burmans protest that these elections were by no means either free or fair, the fact remains that Aung San had what amounted to a walk-over.

What now? If Aung San himself could not foresee what would happen after his departure, certainly no one in Europe can pretend to do so. These words are being written by one who has been away from Burma for more than a year and before significant news has arrived of what has happened since the murders were committed. Probably, however, Aung San's appreciation quoted above gives the clue to the course of future events, even though the Burman is by nature inclined to say "The King is dead. Long live the King." The mantle of Aung San has fallen upon Thakin Nu, but it is doubtful whether he will contrive to reign for long. He will be up against a number of powerful aspirants for his crown—the Communists, the Centre parties under the forcible leadership of U Saw, and last but not least ambitious men within AFPFL who may have hesitated to pit themselves against Aung San, the popular hero, but who will have no hesitation in challenging Thakin Nu if it suits their purpose to do so.

The Rival Factions

MUCH, of course, depends on whether AFPFL will hold together under Nu's leadership. The Communists under Thakin Soe will go into action without paying much heed to public opinion. U Saw and his colleagues will doubtless redouble their efforts to win support; but this must take time. While they are talking, the Communists will be acting, taking advantage of every bit of unrest, using all the methods that Aung San used against us. The arrest of U Saw, whose guilt or innocence is still *sub judice*, would not at present be a proper subject of comment. Not very long ago Aung San gained a number of adherents because men and women were afraid of what might happen to them if they appeared to be in opposition to AFPFL. The Communists by creating a reign of terror may gain support in the same way, even from the ranks of AFPFL.

Much, too, may depend on the attitude of two very different classes, the Buddhist priesthood and the police.

The writer has heard more than one Burman suggest that sooner or later there is bound to be a struggle between Church and State. The priesthood

cannot regard the rise of Communism with any degree of complacency, and may now decide to throw in their full influence on the side of the moderates, leaning probably towards the Centre parties. Their influence is still something to be reckoned with, and an all-out effort on their part might have a decisive effect.

It is difficult to forecast how the police may react to any given situation, more particularly now that the key positions in that force are held not by impartial British officers but by Burmans, who naturally are concerned about their own future. In a rash moment Aung San lent his support to a police strike which demonstrated to the strikers the power which is in their hands if they wish to use it. Since then we have heard of the growth of rival unions within the force and of the disarming of the Rangoon police as a precautionary measure. There can be little doubt that the police force now is not above politics; the fear is that it may take sides in any struggle for power.

There are, therefore, all the makings of an unpleasant internal situation, especially if Aung San's death brings with it the break-up of AFPFL. There was bound, however, to be a clash between the political groups even if Aung San had survived; his death may bring matters to a head quickly.

But Rangoon is not the whole of Burma. What of the hill peoples? They, too, must have had a rude shock. Only recently they came to some kind of an agreement with Aung San designed to tighten the bonds between the hills and the plains. There is little doubt that many of the hill leaders will have harboured misgivings about this agreement. Aung San's murder may cause them to think again and may even, as it were, drive them back to their own hill-tops. It was one thing to join up with a Burma which was being properly governed, but it cannot be a very attractive proposition to link on to a country which may at any moment be plunged into civil war and which at the best is in for an uneasy period of political strife. We can be sure that the Karens will fight harder than ever for a national home free from Burmese influence; that the separationist movement in Arakan will grow stronger and that the Shan Sawbwas and the Chin and Kachin leaders will have been given furiously to think.

It would be most regrettable if there were to be a set-back to the process of unification in Burma, but it would be understandable if in the circumstances the hill peoples decided to think again.

British Responsibilities

THE duty of His Majesty's Government is clear. They can only go straight ahead along the path which they have laid down to be followed. It is now entirely for the Burmese to settle their own internal differences without interference from us. In the past we used to hold the ring while the Burmese fought out their political battles in a constitutional manner. This we can no longer do. However much we may regret leaving Burma, if we are to fulfil the pledges we have given to the Burmese we must get out as quickly as possible, leaving it to the Burmese to resolve their difficulties in their own way. Most certainly we should not even contemplate using

British troops to maintain any one party in power. It will be tragic if we have to leave Burma in a state of turmoil, for we have friends and relations there who may get hurt—Burmese friends, Karen friends and others who have been loyal to us through thick and thin—and the Anglo-Burman community are our blood relations. We are powerless to help them unless we go right back on our promises to the Burmese. For better or for worse we have already surrendered our sovereignty; though the Governor may still technically be responsible for law and order it is difficult to see how he can discharge this responsibility without infringing the rights we have given to the Burmese. In any case, all that we could do would be to drive Communists, assassins and dacoits underground for a while. We could help to bottle them up and to cork the bottle, but we should do this with the uncomfortable knowledge that immediately we depart the cork will fly out with a vengeance. If they so desire the anti-Government forces can afford to wait. Our departure is as imminent as it is certain. Why should they worry about us? No, Burma will have to work out her own political salvation without intervention from us, and the sooner she can get over her growing-pains the better for all concerned.

Our duty towards the hill peoples is not so clear, if there is to be trouble in Burma proper. Are we sure beyond any shadow of doubt that the hills want to pursue the policy laid down at the last Panglong conference? Are we positive that they wish us *now*, at this moment, to leave them to their own devices—to leave them to cope with the effects of any situation which may arise in Rangoon? It has yet to be proved, and the suspicion lingers that we have tended to rush the hill peoples and that we, not they, have made all the running. There is comfort in the fact that there are wise leaders in the hills, men who know what they want and what is best for their people. Our job must be to see that they get a really fair and square deal. Our responsibilities towards the Burmese may almost have been discharged; our responsibility towards the hill peoples still remains.

Deplorable as these recent murders have been, let none judge the Burmese harshly. For many years Burma has been a subject nation, her internal peace being kept by foreigners. She has not been allowed to develop in her own native fashion. Since 1941 she has been a major battle-ground twice, has been occupied by an Axis Power, Japan, and has had in Dr. Ba Maw a full-blooded dictator; and it would be idle to pretend that Aung San's Anti-Fascist People's Freedom League was based on other than totalitarian concepts. Burma has been compelled to suffer from arrested development in the sphere of politics and it is probably too much to hope that now that her fate is in her own hands she will quietly settle down in a nice "British" way to govern herself according to our democratic ideas. There may be more tragic episodes, but one friend of Burma at least is certain that eventually she will find a way of life and a mode of government which will suit the genius of her people and which will bring out the best that is in them—and a very good best that will be.

A HUNDRED MILLIONS FOR THE COLONIES

THE TASK OF THE COLONIAL DEVELOPMENT CORPORATION

THE announcement made by the Secretary of State for the Colonies on June 25, that a colonial development corporation was to be established with a capital of £100 million, came at a time when Great Britain's balance-of-payments difficulties were beginning to penetrate the public consciousness. Mr. Dalton, Chancellor of the Exchequer, had not yet made his statement on the need for cuts in imports. But in the committee stage of the Finance Bill he had already referred to the possibility of saving dollars through the increased production of various commodities, particularly food, in the colonial empire.

There may be a tendency, therefore, to regard the new corporation as born of Great Britain's dollar crisis and to consider its main function as to provide food and raw materials for this country. In fact, however, its origins can be traced much farther back. For some years there had been general realization that the "development and welfare" policy, inaugurated by the Act of 1940, was inadequate to make any real impression on the colonies' low standard of living. The original Act was indeed improved upon in one or two important respects in 1945. The total sum available from the Development and Welfare Fund was raised from £5 million a year for ten years (plus £500,000 for research) to a total of £120 million (including an allocation for research) spread over ten years. The earlier provision, therefore, that sums not spent in any year had to be returned to the Treasury was dropped, and the colonial governments were encouraged to plan ahead for ten years and to relate their development and welfare schemes to this plan instead of regarding them as isolated projects to be met out of annual grants.

Nevertheless, as Colonel Stanley, then Secretary of State, emphasized during the second reading* of the 1945 Act, the Colonial Development and Welfare Fund "is not, is never intended to be, and never could be the sole and permanent support of all the social requirements of the whole of the colonial empire". It was to be "in the nature of a pump primer", to enable the colonies to lay the foundations of the basic economic and social services. Yet even before the new Act was introduced, the drawbacks of the whole development and welfare policy were beginning to be realized. The first criticisms came from the Comptroller for Development and Welfare in the West Indies. He pointed out† that at present education in the West Indies is grossly deficient. But to secure a 90 per cent school attendance of all children aged 5-15 would involve an increase in the number of teachers, which in its turn would raise the cost of teachers' salaries from £640,000 in 1941 to at

* *Hansard*, February 7, 1945.

† Colonial No. 184.

least £2 million per annum. How was this cost, let alone the additional cost of buildings and equipment, to be borne if by the same date there had not been an expansion in the islands' wealth big enough to stand it? Continued subventions from the United Kingdom for the maintenance of social services would clearly be incompatible with the growth of West Indian political independence.

The logical answer would seem to be that welfare should wait on development, that schemes involving a high cost of maintenance should not be undertaken until enough capital had been pumped into the colonies to enable them to meet it. This, after all, was the order of events in the United Kingdom. But there are two reasons for rejecting the logical approach. First, public opinion both at home and among the more enlightened sections of the colonial peoples would not be content until there had been at least some improvement in the standard of social services. The reports of commissions sent out to investigate general conditions and to enquire into the causes of disturbances had drawn attention to the shocking state of houses and water supplies and the complete inadequacy of the medical and educational services, and had pointed out that it reflected seriously on Great Britain's colonial administration. Secondly, improved health and education and increased productivity are interdependent. This was emphasized in Sierra Leone's ten-year plan for development and welfare:

"Improved standards of health are necessary for the increased production which is essential to improve the economic position. Improved standards of education are necessary to provide staff for the expanding services and to enable locally recruited officers to fill more responsible posts both in the public services and elsewhere. Improved economic conditions are essential for the maintenance of the social and other services after, if not during, the period of development."

Thus, even on purely material grounds, the linking of welfare with development was justified.

The Burden of Fecundity

IT has, however, still to be decided how welfare can be paid for. And there is another danger, far more urgent than the prospect that the colonies may become permanent pensioners of the United Kingdom. Poor as their conditions of life are, they have nevertheless been improved enough to enable their populations to increase rapidly. The West India Royal Commission pointed out (Cmd. 6607) that the rate of increase in the islands was approaching 2 per cent per annum, which

"is a far larger rate of increase than countries, lacking for the most part any important mineral resources, with limited supplies of fertile land . . . can afford. The indefinite continuance of the present West Indian birthrates would seriously endanger the maintenance of even the present standard of living, and might render nugatory any attempts to improve that standard."

In Fiji, too, the population is increasing at a similar rate and, in view of the shortage of land, the development and welfare plan gave a warning that the aim of raising the standard of living would be frustrated if there were a substantial and uncontrolled influx of immigrants into the colony.

Perhaps the most urgent warning comes from the Governor of Kenya, extracts from whose despatch are included in *A Plan for the Mechanized Production of Groundnuts in East and Central Africa* (Cmd. 7030). Declaring that primary production in the traditional manner of African peasants is already showing a declining output, Sir Philip Mitchell went on:

"A small cultivator's economy of this kind is always in danger, and I do not myself know any considerable area in East Africa where it has been continuously successful in providing an adequate standard of living by itself. . . .

"There have accordingly to be found, if there is to be any real rise in the standard of living, alternative forms of economic activity . . . together with measures to enable the African cultivator in appropriate cases to break away from his economically weak and primitive forms of cultivation. . . . Where this cannot be achieved no amount of benevolent assistance for social services can avail to improve the lot of the people. . . .

"At the present time characteristics common to all areas of dense African population include over-crowding, excessive pressure on the land, erosion and loss of fertility and a severe struggle to maintain the existing very inadequate standard of living. . . .

"It is now evident that, taken as a whole, East Africa is barely able to support itself in food at the present time, and would indeed be a large importer were it not for the production from European farms."

It is thus clear that, unless there is an immediate and large-scale attack on the low level of colonial productivity, it would not be able to support the larger populations at the present standard of living, much less the higher standard aimed at by the development and welfare policy.

A few years ago, realizing that this productivity could not be materially increased by the comparatively small schemes planned under development and welfare, some people urged that a Development Board for the colonies should be established, with executive powers, to undertake big schemes of economic development. This project was turned down by the Secretary of State, chiefly because the essence of it was that the Board should have a free hand and be unrestricted by the Colonial Office or the colonial governments. But the great merit of the proposal was that its supporters were thinking large, and it consequently helped to emphasize the inadequacy of the existing schemes. It also put the Colonial Office on notice to evolve a method of undertaking large-scale economic development, over and above development and welfare, which would nevertheless be similarly subject to its own control and accord with the wishes of the colonial governments.

During the second-reading debate of the 1945 Development and Welfare Act, Colonel Stanley outlined the possible ways of supplementing development and welfare. Colonial governments, he pointed out, could use the resources they had accumulated through the demand for their territories' products during the war to supplement grants from the Development and Welfare Fund. It is worth noting that Mr. Creech Jones estimated, in the colonial debate on July 29 this year, that the cost of the ten-year plans throughout the colonies would be met to the extent of £120 million from the Fund and £180 million from colonial resources, making £300 million in

all. Secondly, Colonel Stanley suggested, more private capital might be invested in the colonies from outside. Thirdly, he believed that there was a growing opportunity for the private investment of capital owned inside the colonies. But there was a danger in this last possibility, because the colonial capitalist was inexperienced; he often wanted an easy and excessive return on his capital which would not be given by the investment needed, and he was lacking in managerial skill. Colonel Stanley then went on to suggest that a solution might be the establishment of colonial development companies, for which the colonial governments would provide the initial capital and managerial experience, entering into partnership with the outside investor, but would gradually transfer both the capital burden and the managerial responsibility to investors in the colonies. Light was thus thrown for the first time on the lines along which official policy was moving.

The Mission to East Africa

BETWEEN then and Mr. Creech Jones's announcement on June 25, however, the world's scarcity of fats became acute. Accordingly, the United Africa Company put forward a scheme for the mechanized production of groundnuts in Tanganyika, and an official mission was sent out to East Africa to investigate the possibilities of the scheme on the spot. The report of this mission, published under the title, *A Plan for the Mechanized Production of Groundnuts in East and Central Africa*, will surely rank as an historic document. To clear away thousands of acres of tsetse-infested bush, to undertake anti-erosion measures over vast areas, to introduce the tractor into territories where agriculture has hitherto been carried on in a most primitive and inefficient manner, and to couple with all this the establishment of model settlements for Africans working on the scheme, complete with welfare services—the description of all this alone is in exciting contrast to most proposals for colonial betterment. But in addition the mission envisaged many indirect potentialities of the scheme: the growth of local industries, for instance, to process the groundnuts, and the introduction of ancillary farming operations, such as the production of alternate crops or animal husbandry.

But the method of carrying out the scheme was no less significant. It was decided to establish a corporation owned and financed by the Government, "with its own separate organization and a responsible Board of Directors answerable to the Government, but with the fullest scope for initiative". (Until the legislation necessary to establish the corporation could be carried through, the United Africa Company has started work on the project as agents of the Government.) But it is envisaged that in due course the corporation will be transferred to the colonial governments concerned, which in its turn will be regarded as "a step towards the more distant goal" of transferring control to the people themselves, possibly on a co-operative basis.

The capital cost of the scheme is estimated at £23 million, plus about £2½ million for railway, port and harbour construction. In the amount of capital thus to be introduced into the colonies it therefore dwarfs completely

the development and welfare plans, the whole of which for all the three colonies concerned—Tanganyika, Northern Rhodesia and Kenya—contemplates an expenditure for all purposes, productive and non-productive, of £47 million. It is not surprising, therefore, that the groundnut plan was large enough and exciting enough to provoke enquiries why similar projects could not be undertaken elsewhere. An inter-departmental committee was set up to investigate what commodities could profitably be produced on a far larger scale in the colonies and to relate these new schemes for increased production with the scarcities of food and raw materials.

It is thus against this background that Mr. Creech Jones's statement on June 25 should be regarded. Great Britain and other countries are in urgent need of commodities that can be produced on a large scale in the colonies—tobacco in Central Africa, rice in Sierra Leone and Borneo, manila hemp in Borneo, timber in West Africa. But if this need had been less urgent, if the dollar crisis had been less acute, it is probable that the colonial development corporation would nevertheless have been set up. Even before the groundnut corporation had been announced, the Nigerian Government had decided to set up a public corporation, with a capital of £1,750,000, to work the former German plantations in the Cameroons. Moreover, the Colonial Office emphasized at the time of the announcement that the new colonial development corporation was not to be regarded as an instrument for Great Britain to get what it could from the colonies. "The mainspring is entirely the desire to improve the production and, therefore, the actual welfare of the colonial people themselves."

So far there are few details of how the new corporation will work. The East African Groundnut Corporation will be excluded from its scope; this will be included in an Overseas Food Corporation, with a probable capital of £50 million, which will undertake projects similar to the groundnut plan. It will be responsible to the Ministry of Food—which may be unfortunate, for the Ministry, as representing the British consumer, may be accused of fixing prices too low. But the Colonial Development Corporation will work in close liaison with the other corporation, and its activities will similarly be conducted on commercial lines. Its projects, that is, will be expected to make a profit. These projects will probably be mainly agricultural, although other enterprises—even mining—are not excluded, and the corporation may undertake them itself or through subsidiaries.

Policy of the Corporation

IN spite, however, of the lack of precise information about the activities of the new corporation, there are three aspects of it that are worth consideration. In the first place, there is no intention that it should have a monopoly of development in the colonies. In making his announcement Mr. Creech Jones emphasized that the new corporation was intended to supplement private capital in the colonies, not supplant it, and he reiterated Colonel Stanley's assurance that the Government would welcome private investment in the colonies provided it was in harmony with the development and welfare plans of colonial governments. In the colonial debate on July 29 he

gave several instances of big new development schemes by private enterprise. Secondly, the new corporation also must work in harmony with the plans of colonial governments. It will only undertake projects in any territory with the consent of the Secretary of State and the colonial government concerned.

The third aspect that is worth consideration is whether the new policy will in one respect be retrograde. Since 1930 much emphasis has been laid on the disasters that can occur when a colony's economy is based on an export crop, and thus on the need to diversify colonial economies. Does the new emphasis on large-scale production of, say, rice in Sierra Leone mean that the previous policy has been rejected? The answer surely is that the chief fault with colonial production hitherto is that it is inefficient rather than that it is over-specialized. The shifting primitive forms of cultivation, to which the Governor of Kenya called attention in his despatch quoted above, are an obstacle to the full economic use of colonial resources and, therefore, to the production of wealth. The undertakings of the new corporation, by the application of capital, are intended to be models of agricultural efficiency. Moreover, as the East African groundnut plan emphasizes, once capital has been applied on a large scale, the subsidiary enterprises that may derive from it will be incalculable.

The success of the new corporation's enterprises will nevertheless be dependent on the existence of markets for the commodities produced. That a demand for them exists at the moment is certain. But to what extent will Great Britain be restricted in its wish to buy them by Article 9 of the American Loan Agreement, which in brief means that if this country has to reduce its dollar imports of a commodity for balance-of-payments reasons, it has to impose a similar cut in imports from elsewhere? It is true that at first sight not many commodities are affected. But the restriction would appear to apply to tobacco imports from Central Africa, cotton imports from East and West Africa, and citrus fruit imports from various colonies. At the time of writing negotiations with the United States are being carried on with a view to excluding at least the colonies from the scope of Article 9, and it is probable that a favourable answer will be given. Otherwise, the success of the new corporation would be in jeopardy from the start. It would indeed be a pity if the colonies, now that a brighter economic future appears before them, were to be dragged willy-nilly into the economic difficulties of Great Britain.

A TWO-WORLD POLICY AT WASHINGTON

RIVALRY OF THE UNITED STATES AND THE SOVIET UNION

A STRONG, definite American policy toward the Soviet Union—and consequently, toward most of the rest of the world—has been agreed upon by the executive branch of the United States Government, and discussed frankly with members of Congress. Congress will certainly support the broad bases of the policy, which is entirely in line with majority thinking; whether it will appropriate the necessary funds to implement the program is a question not to be answered before 1948. I believe the die is cast and that strong support is assured.

American policy toward Russia in the last two years has now gone through three phases, but the new program is the first to be based upon a carefully worked-out analysis of Soviet purposes. During the war and in the months after the end of the fighting, the United States hoped to cooperate with the Soviet Union in "one world". No inherent reason was discerned by most Americans why our economic and political system and the Russian system should not exist side by side. There was real admiration for Russia's wartime achievements and the stubborn patriotism of its people. It was felt that there need be no grave political conflicts between the two great world Powers, separated and strong as they were.

Then began, in late 1945, the diplomatic intransigence of the Russians, which revealed at least an ambitious expansiveness. It produced Secretary of State Byrnes's "get tough" policy, the second post-war phase. But merely getting tough got nowhere. The Russians threw on it. It may have been a useful intermediate stage, better than yielding or appeasement, but it was not enough to counter the Soviet world position.

The "Truman doctrine" of March, 1947, proposing aid to Greece and Turkey and other States under Russian pressure, was a long step toward the third stage—the new policy which has now been thought out and agreed upon. But again, the Truman doctrine was little more than "getting tough". It was not based upon a thorough acceptance of fundamentals.

The new American policy begins with the premise that Russia under its present rulers is an implacable rival to the United States and all other non-Communist nations, not in any sense a possible cooperator with us. From that premise the United States proposes to contain the Soviet Union wherever it can and by whatever means possible. And to contain Russia, it will be necessary for the United States to use all the tools of a world power.

The assumption that Russia under its present or like-minded rulers will always be hostile to the United States is a postulate of tremendous significance. It is plainly a two-world policy. If a similar conclusion had been reached regarding the Nazis in the 'thirties, history might have been very

different. Up to recently, the United States has more or less sought a "one-world" consummation. Now we plainly accept the implications of two hostile camps.

This does not mean that official American policy is shaping toward a preventive war, or war of any kind. Washington does not think the Russians are either able or willing to fight, although there is some danger that the Kremlin may underestimate American purposes and precipitate a situation somewhere where we might be forced to act. That possibility, in Washington's view, should be avoided, for war is naturally regarded as an utterly disastrous eventuality.

The Washington policy assumes that the Russians are in no hurry. The Soviet leaders all along have expected a major economic crash in the United States. They are unlikely to precipitate difficulty if this collapse is as inevitable as they seem to think. Indeed, they would be willing to wait ten to fifteen years for it. And Washington, on the other hand, thinks that when Soviet power has to be transferred from Stalin to the next generation, there is likelihood of internal crises in Russia.

Thus both Moscow and Washington base their calculations on the assumption that time is working for each. Under these circumstances, barring rash acts based on Soviet underestimations of American determination, there would certainly seem no likelihood of war. But the American effort to contain Russia would plainly have to be based upon a very flexible periphery.

The Flowing Tide of Communism

THESE assumptions about American policy are in part based on an analysis of Soviet-American policy* published currently in *Foreign Affairs*, the well-informed quarterly magazine, and understood to have been written by George F. Kennan, director of the Policy Planning Staff of the State Department. The major theme of this article is that the Russian rulers have for years been dominated by "the semi-myth of implacable foreign hostility". Their ideology was that "the outside world was hostile and that it was their duty eventually to overthrow the political forces beyond their borders".

At first, the dwindling vestiges of capitalism within Russia could be blamed for the régime's failures. But as the last traces of capitalism vanished, "it became necessary to justify the retention of the dictatorship by stressing the menace of capitalism abroad". "Today," says the article, "the major part of the structure of Soviet power is committed to the perfection of the dictatorship and to the maintenance of the concept of Russia as in a state of siege, with the enemy lowering beyond the walls." The excesses of the police state, the author believes, "have fanned the potential opposition to the régime into something far greater and more dangerous than it would have been before those excesses began". "And so", he continues, "there can never be on Moscow's side any sincere assumption of a community of aims between the Soviet Union and powers which are regarded as capitalistic. It must

* "The Sources of Soviet Conduct", by X. *Foreign Affairs*, vol. 25, no. 4 (New York, \$1.25), pp. 566-82.

invariably be assumed in Moscow that the aims of the capitalistic world are antagonistic to the Soviet régime, and therefore to the interests of the peoples it controls. If the Soviet Government occasionally sets its signature to documents which would indicate the contrary, this is to be regarded as a tactical manœuvre permissible in dealing with the enemy (who is without honor). . . . Basically, the antagonism remains. It is postulated. And from it flow many of the phenomena which we find disturbing in the Kremlin's conduct of foreign policy: the secretiveness, the lack of frankness, the duplicity, the wary suspiciousness, and the basic unfriendliness of purpose. These phenomena are there to stay, for the foreseeable future. This means that we are going to continue for a long time to find the Russians difficult to deal with. The theory of the inevitability of the eventual fall of capitalism has the fortunate connotation that there is no hurry about it."

In confronting such a policy the foreign representative cannot hope that his words will make any impression. Only deeds and facts will speak effectively. Russian policy is a stream, ever moving forward, filling every nook and cranny available to it in the basin of world power. "But if it finds unassailable barriers in its path, it accepts these philosophically and accommodates itself to them. The main thing is that there should always be pressure, unceasing constant pressure, toward the desired goal."

In these circumstances, thinks the authoritative author, "the main element of any United States policy toward the Soviet Union should be that of a long-term, patient but firm and vigilant containment of Russian expansive tendencies".

Then, in a gentle criticism of the "get tough" era of American policy—and in words that doubtless Washington hopes will be taken seriously by Mr. Ernest Bevin in his next encounters with the Russians, the article continues: "Such a policy has nothing to do with outward histrionics: with threats or blustering or superfluous gestures of outward 'toughness'. While the Kremlin is basically flexible in its reaction to political realities, it is by no means unamenable to considerations of prestige. Like almost any other government, it can be placed by tactless and threatening gestures in a position where it cannot afford to yield even though this might be dictated by its sense of reality. . . . It is a *sine qua non* of successful dealing with Russia that the foreign government in question should remain at all times cool and collected and that its demands on Russian policy should be put forward in such a manner as to leave the way open for compliance not too detrimental to Russian prestige."

These Russian policies can and must be "contained by the adroit and vigilant application of counter-force at a series of constantly shifting geographical and political points, corresponding to the shifts and manœuvres of Soviet policy".

And if the Russians are thus contained for ten to fifteen years, what then? The author sees absolute obedience in Russia today, but "a population which is physically and spiritually tired". Soviet economic achievements are "precariously spotty and uneven". Stalin's succession to Lenin's pinnacle took twelve years to consolidate. There has been since 1938 "a dangerous

congealment of political life in the higher circles of Soviet power. . . . Who can say whether, in these circumstances, the eventual rejuvenation of the higher spheres of authority (which can only be a matter of time) can take place smoothly and peacefully. . . . If disunity were ever to seize and paralyze the Party, the chaos and weakness of Russian society would be revealed in forms beyond description. For Soviet power is only a crust concealing an amorphous mass of human beings among whom no independent organizational structure is tolerated. . . . Thus the future of Soviet power may not be by any means as secure as Russian capacity for self-delusion would make it appear to be for the men in the Kremlin."

The United States, the article concludes, "cannot expect in the foreseeable future to enjoy political intimacy with the Soviet régime. . . . In actuality the possibilities for American policy are by no means limited to holding the line and hoping for the best. . . . It is rather a question of the degree to which the United States can create among the peoples of the world generally the impression of a country which knows what it wants, which is coping successfully with the problems of its internal life and with the responsibilities of a world power, and which has a spiritual vitality capable of holding its own among the major ideological currents of the time.

"Even the failure of the United States to experience the early economic depression which the ravens of the Red Square have been predicting with such complacent confidence since hostilities ceased would have deep and important repercussions throughout the Communist world.

"It would be an exaggeration to say that American behaviour unassisted and alone could exercise a power of life and death over the Communist movement and bring about the early fall of Soviet power in Russia. But the United States has it in its power to increase enormously the strains under which Soviet policy must operate. . . . For no mystical, Messianic movement—and particularly not that of the Kremlin—can face frustration indefinitely without eventually adjusting itself in one way or another to the logic of that state of affairs.

"Thus the decision will really fall in large measure in this country itself. The issue of Soviet-American relations is in essence a test of the over-all worth of the United States as a nation among nations. To avoid destruction the United States need only measure up to its own best traditions and prove itself worthy of preservation as a great nation."

The Policy of Containment

THESE are the words upon which American policy now appears to be based. Applied to specific and current problems, they have deeply impressed Congress and the informed segments of public opinion. They have been reprinted widely. It is recognized that there are several immediate danger spots: the economic crisis in western Europe, the chances of Communist action in France and Italy particularly; the possibility of a Communist foothold in northern Greece which would challenge the United States either to armed intervention or to abandonment of Greece; the dangers of collapse in China. Following the implications of the policy set forth above, Washing-

ton is gearing itself to long-range operations designed to hold back the flow of Communism everywhere. Tough talk will be avoided. The United Nations will be used as much as possible to strengthen United States policy, but Russia will not be permitted indefinitely to use the Security Council to block the workings of the United Nations political machinery.

However, the growing co-operative action of the western democracies has become more important to the United States than is the United Nations. Insofar as the United Nations is inherently based upon the "one-world" concept, it is now temporarily outmoded. It might one day become the instrument of united action of the democracies and their allies to contain Russia. But that day would not come as long as Russia remains inside the United Nations, armed with the veto powers of the Charter. And so for the time, at least, the United Nations take a secondary place in American policy calculations.

But of immediate importance is the economic rescue of western Europe. Quite obviously, the Soviet Union would be in a position to take over all Europe on the heels of an economic and political collapse. The danger is acute in Italy and France. The Marshall plan is just an opening framework. The restoration of industrial Germany as the economic heart of Europe is the base of present American thinking. But before any good effects either of united western European action under the Marshall plan or of an improvement in Germany could be felt, the crisis in Italy and France is bound to arrive. Therefore the United States will certainly stand ready to provide enough dollars to bolster up stability in France, and to do its utmost with aid and guidance in Italy. Any physical effort of the Communists to gain power in either country, but particularly in France, might bring active United States support for the anti-Communist side.

And even before the crisis comes in Italy and France, there is the current Greek crisis. American aid is arriving actively, in an effort to forestall establishment of a penetrative Communist puppet state. United States officials will direct the attempted economic rescue of Greece, and United States military missions will advise the Greek Army and supply some weapons for use in resisting Communist encroachments. At the United Nations, the United States is also doing its utmost to prevent Greece's Communist neighbors from fanning large-scale civil war.

The present European priority in containment of Russia is, therefore, Greece, followed by Italy and France, with fundamental improvement based upon general European economic recovery and the restoration of Germany to its needed industrial rôle. Despite remaining differences concerning Germany in Washington, London and Paris, it would appear that there is a nucleus of agreement. That agreement turns on the re-entry of western Germany into the economic entity of Europe. Washington feels, of course, that there must be close long-term supervision lest the Germans turn to re-arming. But it is felt that the present festering degradation of Germany is the greatest possible danger for the future. Germany, Washington infers, may well be Russia's chief goal in Europe. Only by helping Germany back to health and sanity, can Communism be countered there. And only by

reintegrating Germany into the economic pattern of western Europe, can the continent itself become healthy again. The decision of the Paris Conference (on the Marshall plan) to proceed without Russia and its satellites marked an outward turning-point in the application of the new American policy. It was a recognition that if the "one-world" technique will not work, there is no alternative to proceeding on a "two-worlds" basis.

In the Far East the decision to hold a Japanese peace conference, whether or not the Russians come along, and to do it with all interested Powers, rather than the Big Four alone, is an application of the same policy. American policy supports rigorous supervision of the Japanese for a generation, preferably through the United Nations, but it believes enough progress has been made already in demilitarization and reorganization to permit drafting of a peace treaty. Moreover, only if Japan is permitted to begin its economic reconstruction, can present gains be held. At present Japan is a heavy drain on United States finances. It can be made self-sufficient, and can make further progress towards real peace and stability, once a peace treaty is concluded. Moreover, Japan—which is beginning to understand something of the practical advantages of democracy—can be an immensely valuable bulwark against Communism.

There are obviously many over-simplifications in this account of newly crystallizing American policy. The achievement of agreement among the non-Russian allies on many details affecting Germany and Japan will be difficult enough. And, as emphasized, there are many and urgent sources of danger. But on the long view, it is an optimistic policy that is unrolling. It calls upon the United States to strengthen itself, particularly internally, to be a powerful force in the rescue of the free way in the world. It contains no inherent elements of American aggressiveness, of imperialism, or of arrogance. It is based on the solemn conclusion that the Soviet system dangerously threatens the whole world, and that the United States must accept its historic responsibilities.

First Session of a Republican Congress

WHETHER or not the American people will fully accept and implement these responsibilities remains to be seen. The Eightieth Congress, whose first session has just closed, gave mixed indications of its determination. That Congress was elected and convened at the height of the post-war isolationist reaction. Its Republican majority was traditionally opposed to the Democratic policies of President Roosevelt, and of President Wilson before him. Yet outstanding Republican leaders, with Senator Vandenberg in the forefront, carried a large majority of the party along in support of the Truman Plan.

When the Eightieth Congress convened, the outward policy of the American Government was that agreement could be reached with Russia on major problems. Such a policy naturally fostered a kind of isolationism. But now the world danger of aggressive Russian expansionism is deeply realized in the United States. It is plain and inescapable policy to support our friends. And although Congress may complain, there can be little real doubt that it

will have to support the new policy of containment of the Soviet Union by whatever means come to hand. The atmosphere which has already so greatly changed since last January will not fail to change before Congress returns either for a special session in the autumn or for its regular term in January. And these inevitable changes are almost certain to be in the same direction—and to strengthen American policy.

Although this Congress had the first Republican majority in fifteen years, and naturally sought to oppose President Truman wherever possible, its record in foreign affairs is noteworthy. It appropriated \$40 million to support the Truman policies in Greece and Turkey. It voted \$332 million for relief in Greece, Italy, Austria, Trieste, and China, barring relief to Soviet-dominated countries. It appropriated \$75 million for the care of displaced persons in Europe but failed to act on a bill admitting 400,000 displaced persons into the United States. The Senate ratified peace treaties with Italy, Hungary, Rumania, Bulgaria.

But Congress passed the Bill to increase wool tariffs, which was only stopped then by a presidential veto, and it ominously deferred action on the reciprocal trade program, which expires in 1948 unless renewed. The greatest isolationist dangers are thus economic. Here, indeed, there is danger. Yet on the whole this Congress supported a non-partisan foreign policy and rose to its emergencies.

In domestic affairs it was an historic Congress. For the first time in two decades legislation was enacted to curb the power of labor unions. The Taft-Hartley Law, while admittedly imperfect, is nevertheless a counter-balance to all the prerogatives labor obtained legislatively during the 'thirties. Thus it represents a major turning-point. This was also the first Congress since 1932 to cut expenses. And although these cuts were ineptly handled—including the tax cut which President Truman vetoed—they expressed the hoped-for trend toward a balanced budget.

This Congress was historic in passing legislation to unify the Army and Navy in a single national defense organization under one Cabinet secretary. It created the important National Security Council, to co-ordinate diplomatic, scientific and military purposes in the national defense. Altogether, this law sets up a well-ordered defense pattern.

And so the Eightieth Congress could adjourn with the feeling that under that difficult situation in American politics when executive and legislative branches are of different political complexion, it had produced a respectably constructive record. Matters might have been much worse.

Economic State of the Union

JUST before Congress adjourned, President Truman submitted to it a mid-year report of his Council of Economic Advisers, created last year to act as a watchdog over the nation's economic trends. The report said the country's present economic state is "magnificent" but that some of the causes of this prosperity are temporary, and that there are danger spots.

The level of national prosperity is shown in the following figures, some of them new records:

Production of goods and services is at the rate of \$225,000 million a year.

(In 1939 production was \$90,400 million.)

Total employment is above 60 million. (In 1939 employment was less than 45 million.)

Total consumer income is at the annual rate of \$169,600 million. (In 1939 consumer income was \$70,200 million.)

Corporate profits after taxes are at the annual rate of \$17,400 million. (In 1939 such profits were \$5,000 million.)

But this immense pinnacle of prosperity is being supported by business investment, consumer spending and exports—all of them of dubious future. Business is investing in war-delayed construction and equipment at the rate of \$29,500 million a year. Consumers are spending 93·2 per cent. of their income and are saving only 6·8 per cent. And America is selling goods and services abroad at the record annual rate of \$20,700 million as compared with imports of only \$8,000 million.

Moreover, in June the consumer price index reached a record level estimated at 157 based on the 1935-39 average at 100. There is threat of further increases. And the nation will fall 250,000 units short of its 1947 goal of 1,000,000 new housing units. High prices are delaying construction. If they come down, then new building can help sustain the entire economy when other lines have exhausted their backlog of demand. Perhaps the lag in housing is a blessing in disguise.

The nation's strong economic picture, despite the manifest dangers, shows clearly that the United States is thoroughly capable of supporting its newly evolved foreign policies—if it chooses. The figures also indicate the urgent need of accepting more imports just as soon as they are available. Further loans will probably support the export surplus for a time. But the situation will become quite as unhealthy as the 'twenties if high tariff policies rule Congress. Moreover, the availability of imports is likely to coincide with a decline in the currently inflated domestic demand—which thus would increase the pressure for tariffs.

Finally, despite the parlous conditions of much of the world and the grave underlying threats implicit in the division of the nations into armed camps, there is much evidence that American policy is more vigorous, more informed, more responsible than it was a year ago. There will be elements of irresponsibility in the future. We have not yet adequately learned the duties of a world power. But the force of circumstances is still bringing us along. Beyond doubt, Secretary Marshall is the strongest Secretary of State the nation has had for many years, and he enjoys an unprecedented national confidence. Seven months of a Republican Congress has neither usurped nor crippled the Executive, as some said it must. There is realism in the air, and disillusionment too. American democracy seems definitely to be today a more powerful force than it has been since the end of hostilities.

United States of America,

July 1947.

INDIA

DIVISION OF THE INDIAN EMPIRE

TO describe the course of events in India lately without either platitudinizing or, by contrast, adopting the breathless style of the wireless or film commentator is none too easy. Of the alternatives, perhaps the second is preferable. We in India are surfeited with platitudes—it may be because, when history is being made, there is little time for reflection. Certainly we have none, for we are being driven on relentlessly, at a spanking pace. The progress is exhilarating; it has been gratifyingly smooth. But sometimes doubt creeps in: is it not too fast? Has not something important been forgotten and left behind? Nobody knows or nobody says, and on we go. If August 15 is reached without mishap rejoicing will be great.

All began on June 3 when the Plan was announced and recommended, with undertones of regret, by Lord Mountbatten, Pandit Nehru, Mr. Jinnah and Sardar Baldev Singh. The next day the Viceroy, at a notably interesting and comprehensive press conference, spoke of transfer of power "somewhere about August". By the middle of June the plan had been officially approved in their various ways by the Muslim League, the Congress and the Sikhs.

With the vote of the Bengal Legislative Assembly for partition of the province and against one constituent assembly for the whole country, it became certain that the Empire of India would be divided and that two new Dominions would be added to the British Commonwealth of Nations. Bengal voted on June 20. Three days later the Punjab voted in the same sense. In both instances Muslims voted for division of the country and against division of the province. The Hindu (and in the Punjab also the Sikh) vote was precisely opposite. Thus a national minority divided the country and provincial minorities the provinces. Not all these votes, it may be guessed, were cast with either conviction or pleasure. Among Hindus there is wishful thinking; many contend that neither Pakistan nor partition will endure. It may be observed in passing that the division of Bengal is a triumph for the Hindu Mahasabha, not for the Congress; that of the Punjab seems, on close analysis, to be due to muddled thinking among the Sikhs.

There have been aids to thought. One was Mr. G. D. Birla's pamphlet, published on June 6, exhibiting the superior resources of the Indian Union, though with what object is not clear, whether to show that economically little is lost with the separation of the Pakistan areas, or to intimidate these or to promote eventual reunion—most probably the last. To his arguments there have been various counterblasts and a flood of pamphleteering literature of all sorts flows from the printing presses, though perhaps somewhat abated since June 3. The newspapers are, for the most part, as narrowly communal as ever, but perhaps with better claims to be called nationalist now that communities have become nations. Yet how can nations be defined? If by the test of language, there are going to be many in India; the quadri-

partition of Madras, till lately the best administered of provinces, inside a multi-national State, seems one possibility. If division is by race or tribe or caste there may perhaps be more. There are moves for the unity of Jats (who include many, perhaps the majority of, Sikhs) and of Garhwalis. There is also talk of a separate State for Adi-Basis and of Dravidistan, as also of Achhutistan, about which nobody seems to know very much. Overshadowing all lately, however, has been the demand for Pathanistan or Pakhtoon—if your correspondent is right in giving to this neologism a geographical implication, i.e. the land of the Pushtu (Pakhtu)-speaking people.

Accusations fly about broadcast, attacking Governors as well as humbler people. Among eminent persons maligned, sometimes at different times by opposite sides, have been Sir Evan Jenkins, Sir Frederick Burrows and Sir Olaf Caroe. The last-named offered what was virtually resignation of his governorship to Lord Mountbatten on June 13. The N.W.F.P. Ministry distrusted him; but still more, it seems, do they distrust their own supporters. Having vainly argued that, since the elections held last year returned the Red Shirts with a comfortable majority, there was no need for a referendum in the N.W.F.P., they later took the line that the issues in the referendum were false and that the choice should be between an independent Pathanistan (or Pakhtoon) and Pakistan, not between joining the Indian or Pakistan Constituent Assemblies, as provided in the plan—though that had been accepted by the Congress Working Committee, of which Khan Abdul Ghaffar Khan, the Red Shirt (Frontier Congress) leader, is a member. Before the Viceroy left on a brief visit to Kashmir in the third week of June there were hints that the N.W.F.P. problem would be settled without a referendum; and on June 18, Mr. Ghandhi, Mr. Jinnah and A. G. K., as he is widely known, met at the Viceroy's House in New Delhi. No agreement was reached, and on June 28 Mr. Jinnah accused the Congress of going back on their word. Meanwhile, Sir Olaf Caroe had been replaced by Lt.-Gen. Sir Rob Lockhart. On July 2 it was announced that the referendum under (predominantly British) military control would be held between July 6 and July 17 on the issues originally arranged. The Congress boycotted it. The result was announced on July 20. The boycott in a sense succeeded, but, although the League polled only just over 50 per cent. of the registered voters, at the last elections the total votes cast for both parties were only about 65 per cent. Dr. Khan Sahib, the Premier, has so far refused to resign till fresh elections are held and the League is demanding application of Section 93 of the Government of India Act, 1935. The referendum has, however, been officially accepted as a vote for Pakistan.

Before then Sind (June 26) had voted by a majority for Pakistan and Baluchistan (June 29) had opted similarly as was expected, the Boundary Commissions had been appointed with a joint chairman—yet one more ingenious feature of a remarkably ingenious arrangement—and the principles of the division of the Armed Forces had been announced. Over this last many verbal tears have been shed; it is unnecessary to add to them. The destruction of the Indian Army is deplorable; few more admirable instruments for defence ever existed, at any rate in a world which knew nothing of

the atom bomb and other recent contrivances for mutual destruction. But with the going of the British, on whom this unique national army depended—the most obviously national institution in India, though it has been described as mercenary—the cornerstone has gone. It would be fantastic to maintain one army for two States—even though temporarily Dominions—whose interests may diverge. All that a friendly observer can hope is that the two halves of what has up to now been one Army will never come into conflict and that staff talks, aided perhaps by British remnants who have elected to serve, will help closely to unite the Armies, Navies, and Air Forces of India and Pakistan against a common enemy in case of need.

Two Governors General

THE second notable fact is that there are to be two Governors General. Mr. Attlee's announcement of July 10 caused surprise in India and some misgiving. In your correspondent's view the plan has suffered a serious setback. The importance of the Governor-General's functions as set out in section 9 of the Indian Independence Act can scarcely be over-emphasized. He has to superintend the transition, adjust the provisions of the Act of 1935, divide up personnel, assets and liabilities. Of course sovereign power is with the legislatures—the constituent assemblies, engrossed in other business—and ministries will give advice. But where advice had been conflicting, it could have been left to an impartial authority—whom everybody expected to be Lord Mountbatten—to decide. Unfortunately the Muslim League chose otherwise, for reasons unknown. Mr. Jinnah said at the meeting of the Council of the League on June 9, when the plan was accepted, that he had "done his job". It is not surprising that they refused to part readily with one who, though aging and lately ill, surpasses them and, possibly, everybody else in India, in practical political intelligence. From their point of view his recommendation as Governor General of Pakistan may be readily understood—though Mr. Gandhi thinks that a different decision was taken earlier, perhaps before the N.W.F.P. problem was presented in a new form and Lord Mountbatten visited Kashmir. But it is obvious that the impartial arbiter is lost. The Congress, on the other hand, were wise to stick to their choice. It will necessarily now be their case that Lord Mountbatten will present when the two Governors General have their important dealings, but for that reason it will wear a neutral guise. It is to be hoped that fears will prove exaggerated; the retention of Lord Mountbatten as Chairman of the Joint Defence Council shows goodwill.

So far this discussion has followed, however roughly, the course of the plan. Before turning to a wider background we must consider certain political problems in greater detail. First in importance, there can be little doubt, is the meaning of Dominion Status to the Indian Union and Pakistan—it is hoped that Indians will recognize that the use, in this article, of the term "Indian Union" instead of "India" is meant to avoid confusion, nothing else. Though much has been said to the contrary both in India and in Britain, it is important to understand that for both prospective Dominions at present Dominion Status is a convenient constitutional device, purely temporary in

character. To suggest otherwise would be damaging to future relations. Already there are many in India who argue that, by accepting Dominion Status, even temporarily, one or other Dominion has fallen into a trap, and British parliamentary debates on the Independence Bill, happily named though it is, reinforced their arguments. If either India or Pakistan is to stay in the Commonwealth—and perhaps it is desirable that if both will not stay, both should go—it may be advisable for people in Britain and elsewhere in the Commonwealth to assume the contrary. The choice of the new Dominions is free and they will not necessarily be persuaded by display of affection. This Laocoon-like process should cease.

States and Minorities

NEXT has to be considered Princely India—this is the order of formal precedence, although the need to do justice to the minorities is even more urgent. To both pledges have been given and broken, but whereas the States can look after themselves, the minorities are now wholly dependent. Moreover, if the States can argue abrogation of treaty rights, what can the minorities expect from a new treaty—if indeed they are to be included? That there has been unilateral repudiation of the obligations of the Crown towards the Indian States seems clear. It is not here possible to discuss these undertakings, which are manifold and various. If it is said that, from any but a legalist point of view, they are anachronistic, that may be regarded as Hitlerism. There can be no doubt, however, that the majority of States and Rulers recognize that a new deal is necessary. It is fortunate that, in these circumstances, Sardar Patel, who recognizes, like Lord Halifax, that time, not logic, should be allowed to decide the matter, has been appointed head of the States Department of the Indian Union. It seems doubtful whether the attitude of Hyderabad and Travancore means any more than a plea for time—unless they are pushed to extremes. Their attitude is, perhaps, not more obstructive than that of some provinces—or part-provinces. The contents of the draft instrument of accession and frank and friendly talks with Sardar Patel on July 24 and Lord Mountbatten the next day should do much to still the apprehensions of Princes who have hitherto been wavering or wondering whether they had made a mistake in joining the Indian Constituent Assembly. It seems clear that they will be left in full possession of all powers except those which they would in no case have been able to enjoy to the full. Acceptance of the Indian Constitution when it is complete will be left to their unfettered judgment. It is likely to suit them better if they help in forming it.

Of the minorities it might be thought that many have cause to be dissatisfied. The most important, however—the scheduled castes—seem to think otherwise, which is gratifying. Dr. Ambedkar's acceptance of Congress leadership in the Indian Union is an interesting phenomenon. However, in spite of the progress which has lately been made in offering new facilities to the hitherto despised, it might be a mistake to attach much importance to the opening of temples to the so-called Harijans, or to the disavowal of the description "caste" Hindus. If the Hindu Mahasabha have a say and establish

what they like to call their Hindu Raj—they have become increasingly powerful of late, as the partition of Bengal is not alone in showing; the last elections are no longer a true guide—the future of these depressed communities, which in any case need special preference and facilities to lead them socially and economically upwards, may be dark.

The Indian Christians, most numerous of the non-Hindu minorities, also seem satisfied and, in Travancore, rather truculent. On the other hand, Anglo-Indians, to whom much is due, while getting rather flamboyantly political, tend to bemoan their lot. There is unhappily a large unemployable section among them, but if the others will accept work that suits them, theirs should not be serious hardship. It is largely a question of marking time while new educational schemes get under way and their intrinsic qualities are recognized. The interim period will undoubtedly be difficult and British help may be needed, especially to provide technical education, but it seems increasingly likely that neither the Indian Union nor Pakistan will be able to afford to neglect a community whose services may be very useful, in spite of its smallness.

The tribes of the N.W.F. have assumed perhaps an exaggerated importance, those of the N.E.F. a minimized, in spite of the lessons of the late war. The Nagas are seriously dissatisfied with the offers that have been made to them and if they have no Afghanistan to back them up equivocally, they can point to the pressure of peoples behind; there are also Burmese claims to be considered and theories about a Mongolian fringe of distinctive peoples. Immediately, however, the most important of all minority problems is that of the Sikhs.

It is difficult to know what to say of this remarkable people, outwardly recognizable because they decreed it so, who sprang into existence in the sixteenth century and came gradually to dominate the Punjab. They cannot be restored to their old position—which they might not have maintained even had the British not intervened. They are so dispersed in the Punjab that no partition could possibly suit them. Yet they opted for division, not of India, but of the Punjab, in which, though it formed part of Pakistan, they were bound to play an influential part. Just now (July) they are a drag on the fast-turning wheels of the plan, but after their decision none can ease this friction. Nanak's contempt of sects notwithstanding, their sympathy with the Hindus is plain; their historical antipathy to the Moguls sways their attitude. Having, however, been denied nationhood, they ought, one would have thought, to have cast in their lot with the political set-up which, by reason of their relative numerical strength, promised them most. Acceptance of the Cabinet Mission's plan of May 1946 was their best course; but they, like Assam whose lack of political acumen is even more remarkable, chose otherwise. Mr. Bardoloi, the Assam Premier, knowing that Sylhet would almost certainly be separated, said on June 8 that what had been agreed to was a definite improvement on the Cabinet Mission's Plan. The Sikhs have seemingly decided to boycott the Pakistan Constituent Assembly; some of them claim that the community never accepted the plan of June 3.

A still more important minority problem remains to be discussed, the

future of Hindus in Pakistan, Muslims in the Indian Union. Many public statements have been made, some helpful, some ominous. A joint agreement is very desirable. Failing that, the problem may be solved *ambulando*. If not, the danger to both Dominions will be extreme. The idea of composite Cabinets seems to be gaining ground, and the statement issued by the Partition Council is encouraging. On behalf of both future Governments, it promises full citizenship rights to all, agrees to the setting up of a special military command in the Punjab and pledges acceptance of the Boundary Commissions' awards, which will certainly be contentious. Dr. Ambedkar, incidentally, has lately suggested that, not the views of the communities in the Punjab and Bengal, but the interests (primarily strategic) of the two new Dominions as a whole should guide the decisions.

The tale now turns, not to two cities but to four: Calcutta, Lahore, Delhi, Karachi. The first two have been grievously disturbed, the third a little, the fourth scarcely at all in a communal sense, though if 30,000 people move in soon, as predicted, disturbance of another sort will not be negligible. At the time of writing, the fate of Calcutta and Lahore, affected by notional division though it is, is under consideration by the boundary commissions and, it seems likely, in private conclave of the less reputable elements of the Muslim, Sikh, and Hindu communities. By odd contrast, conditions in Lahore became quieter, those in Calcutta more disturbed after the decisions of their respective provincial Legislative Assemblies. Notional division, however, has proceeded farther in Bengal than in the Punjab. There is a West Bengal section of the Ministry in operation, seemingly able, in spite of announced limitation of powers, to post officers, especially police officers, where it likes. It is, however, representative only of the Congress. From it Dr. Shyamprasad Mookerjee, the Hindu Mahasabha leader and possibly the most powerful figure in Bengal to-day, stands conspicuously aloof. It is said that there are interests concerned in preventing Calcutta's return to normal, ready even to wreck the city before August 15. It is clear that Calcutta (within gun range of Pakistan, some say) will not be capital of the Indian Union nor Lahore that of Pakistan. The claims of Delhi are contested, those of Allahabad, even Wardha, advanced—though with the proposed disappearance of the *sharkha* from the recommended Indian national flag those of the last have little chance of acceptance. Karachi has already been chosen as the capital of Pakistan. There the new Constituent Assembly will meet next month and perhaps borrow experience from the Indian Constituent Assembly which has been vigorously busy since December. Now Muslim League representatives (in the Indian Union) have decided to join it, besides representatives of Princely India.

Economic Anxieties

SOME political questions have been cursorily discussed; much that is non-political, or not primarily political, needs discussion. First in importance is food, of which, India as a whole, in common with much of the world, has too little. Two provinces, Madras and Bombay, are especially badly affected, Madras the worse. Yet Madras has partly itself to blame; its harvest is reported to have been better than last year's. The cultivator wants higher

prices for his crop; about this there seems to have been difference of opinion with the Government of India. But procurement has been especially bad in the Andhra districts and it seems likely that here, since the downfall of the Andhra champion, Mr. Prakasam, earlier in the year, political considerations play their part. Andhras (Telugus) will not do for his successor as Premier what they might have done for Mr. Prakasam, who is vigorously canvassing for a separate Andhra province, conceded in principle though it is by the present Ministry. Lately too in Sind, a surplus province, politics seemed likely to hold up provision—in this case to the Indian Union. But, after a little stock-taking and recrimination, this problem seems to have been settled.

Bengal, soon to be divided, and Bihar are other provinces likely to be seriously short of food during the next few months. It should here be remarked that the south-west monsoon, heavily recommended in the weather forecasts, has been capricious in Bombay. Food is short and may be desperately short before these lines go to press. The rust disease of wheat is partly to blame and so is the un procurability of sufficient imports. For these India is willing to pay in jute, or jute goods, if she can get them. But jute and jute goods, though expensive, are not procurable in sufficient quantity, and for this too politics may be to blame, though industrial strife and communal disturbances are perhaps more directly responsible. So long as the Calcutta mills are prevented from working at full speed by one cause or the other, output of jute goods is necessarily restricted.

It needs to be emphasized that, not for the first time in India but perhaps now most plainly, political considerations so outweigh economic that progress other than political is negligible. This may be seen most obviously in the stagnation of plans for development, above all the irrigation schemes, which are at a standstill not only because nobody politically important has time to devote to them, but also because nobody has an idea how staff should be recruited, since the communal recruitment rules are in suspense. As for the most important department of all, that of food, its ministerial chief, Dr. Rajendra Prasad, is busy in dividing up the country's assets; he is also President of the Indian Constituent Assembly, a key post in present circumstances, and he has been mentioned for a governorship after August 15, that of his native province Bihar. He has not much time to spare. The department is weakly manned.

In the economic field it may be said, perhaps unfairly, that only restrictive measures have been decided upon—to cut down imports, to restrict remittances abroad and to substitute nickel for silver in an abominable shabby rupee and half-rupee. In the disturbed field of industrial relations, the Congress has launched a counter-attack against the Communist-dominated T.U.C. by forming an Indian National Trade Union Congress, but with little obvious effect so far. Even the Socialists (who, like the Communists, are opposed to the plan of June 3) distrust this new organization. The struggle for control of labour goes on. As for the countryside, where too the Communists seem to be gaining ground, the Congress has seemingly set its face against rapid reform of tenancy conditions. The Muslim League has hitherto not shown much interest in such questions, except in Bengal, where it introduced

an ambitious programme of tenancy reform, handled it lazily and was perhaps not displeased when political developments prevented it from pushing through the most ambitious measures against fierce opposition of vested interests. In industrial relations, the chief concern of the League hitherto has been to show that Muslims will not be led by the nose by Hindus. The Pay Commission's recommendations, published in May, have not hitherto been generally introduced. Bombay railwaymen recently threw stones at trains because they were dissatisfied with the terms proposed. What the new Dominions will be able to afford is uncertain. Meanwhile it is reported that Mr. Liaquat Ali Khan's budget proposal of an inquiry into tax evasion has been abandoned as unpractical in the new circumstances.

End of an Epoch

MUCH more could be added, but the time has come to consider some of the platitudes hitherto avoided. An epoch ends. Whether Britain's task has been successfully accomplished or nervelessly relinquished—whether there was ever a task which needed performing—whether India is better or worse off for the British relationship—these questions cannot be satisfactorily answered yet. The future of Britons in India none can certainly forecast. Emphasis has been laid on the part they can play. In view of remarks lately made by Professor Deshpande, Secretary of the Hindu Mahasabha, and such as, remembering the origins of John Company, think like him, that seems a sure way of creating suspicion. Mr. Gandhi, in his after-prayer utterances, has not been above adding to it.

There are others in this country who see a less accommodating Power than Britain on the horizon, threatening to eclipse the sun of independence before it reaches the zenith. This supposition too it is useless to discuss. There are doubtless fifth columnists crusading for both causes. But it should be said that, on the whole, the British, like other communities in India, have welcomed the plan of June 3, though with apprehension and regrets. It is natural that they, more even than others, should disapprove of fragmentation. But they rejoice at the agreement between the major communities and, with due appreciation of Lord Mountbatten and other architects of the plan, marvel at the progress made in so short a time. Events over the past few years have prepared them for the changes after August 15. Though not free from anxiety, they look to the future with hope. While not seeking to deceive themselves, many, both British and Indian, think that with the coming of August 15 the worst will be past. If the minority question is satisfactorily handled there should be no repetition of the frenzy which began last August, and planning for the future may begin in earnest, without risk of disturbance.

India,

July 1947.

UNITED KINGDOM

SOCIALISM IN SEARCH OF A SECOND WIND

THE last review of Home Affairs in *THE ROUND TABLE* closed with some observations on the chances of a change of Government. It was argued that there were no such chances. Since then, the economic crisis, so long simmering, has boiled over. The Government has been obviously scalded, and its response to the question what is cooking has equally clearly alarmed and embittered its adversaries and perturbed many of its friends. Mr. Churchill has roundly declared that one of its answers—the direction of labour—should not be imposed without a general election. Nevertheless, the writer is not himself convinced that we are any nearer a general election than we were before, or that, if we had one, the results would necessarily reflect more than that the disillusionment with Socialism is greater than the positive swing towards Conservatism. One thing indeed the Government's attitude towards the crisis has produced, namely, a swing of the Liberals into full-throated opposition. But that again does not necessarily portend an anti-Socialist alliance. It should never be forgotten that the decision whether to advise a dissolution or not is the prerogative of the Prime Minister of the day.

Why should Mr. Attlee exercise it? He would, of course, do so if he decided to try to form a Coalition Government. But neither his own party nor the Conservatives have shown the least desire to enter such a Coalition. He would also ask for a dissolution if defeated on a first-class issue either in the Commons or in the Lords. There is much dissatisfaction in the Commons, but only one Labour M.P. voted against his own side on the Bill conferring exhaustive emergency powers on the Government. Though there is a fairly strong force, headed by Mr. Aneurin Bevan, which maintains that Socialism has failed only because there has not been enough of it, there is no majority in the Labour party ready to kill Charles in order to make James king. Some people see an older Pretender in Sir Stafford Cripps—one of the few Ministers whose stock has risen. But icebergs are not permanent islands of refuge in a shipwreck. As for the Lords, there are strong arguments, which have so far prevailed, to dissuade a Second Chamber which has done admirable revisory work from making itself into an Aunt Sally for Labour missiles by precipitating a general election. The chances are therefore still that the present Government in substantially its present form will go on struggling to ride the storm.

It is true that in its struggles it resembles more a *Laocoön* than an *Ajax* or a *Horatius*. On the eve of the recess, it rushed through a Supplies and Services Bill, giving itself powers to do virtually anything with anybody or anything. Nobody knows why, and the Lord Chancellor himself stated his opinion that the Bill was superfluous, since all necessary powers were possessed under an Act of 1945. This new Act administered a setback even to the chance that some non-party national policy to meet the crisis might be devised.

Dwindling Dollars

APART from this Act, the Government also produced a diagnosis and a prescription.* We should have exhausted our dollar credits by the beginning of October, and this meant that if our standard of living was to be maintained we must somehow or other make good a gap of some £600 million a year between imports and exports. We must therefore cut imports, increase exports, and produce more.

Upon cuts in imports, the Government produced a first instalment which gave the impression that, like Clive, it was astonished at its own moderation. In his Budget, Mr. Dalton had already cut imports of tobacco by a huge increase in taxation. This was then followed up by a cut in newsprint and an unspecified cut in petrol.

The saving by the cut in newsprint is only about one day's dollars. It discriminates against the users of newsprint and against the newspapers, even among the users of paper. Newspapers were already only one-third of their pre-war size. They must now cut down their size or their circulation or both. They must discharge skilled staff. They cannot adequately discharge their function of giving news and views. The public cannot have a free choice of papers.

Next came a rather bigger effort. There are to be cuts in imports of essentials such as timber and food from hard-currency countries. Nobody yet knows the effect on rations because it is hoped to buy more food in soft-currency countries. The best estimate of the total saving in imports by all these measures is £200 million a year, or about one-third of the gap.

Every allowance must be made for the Government's position. They are in a terrible dilemma. If they drastically reduced dollar imports, they might imperil the whole future by reducing our ability to produce. If they did nothing, they might put in question both our will and our capacity to help ourselves. They are in the predicament of the over-jolly gentleman clinging to a lamp-post outside the railway station who exclaimed that if he let go he would fall, and if he did not let go he would miss his train.

As regards increasing exports, a larger volume or proportion of our production of some things, such as textiles and motor cars, is to be exported. But the way out of the crisis by increasing exports is and must remain theoretical until

- (1) We have the coal to produce enough for more exports.
- (2) We produce more of the right things to export.
- (3) The United States and other hard-currency countries are willing to take more of our exports.

* This article was written before the sudden exhaustion of the remaining dollar credits—largely because foreign countries hurried to convert sterling into dollars to the maximum extent after July 15, while yet the available dollars lasted—compelled the Government to suspend the convertibility of sterling on August 20, and to announce fresh restrictions intended to conserve foreign exchange. These included a cut of one-seventh in the meat ration and the complete banning of holiday travel to hard-currency countries and of private motoring for pleasure.

All these things lie in a more or less distant future; and in the same future, but far less distant, comes the end of the sellers' market which has enabled us to sell everything we can produce everywhere—except in the countries from which we must buy. In particular, the trade policy of the United States is subject to a continuing question-mark. That country can produce far more than it did in 1938. That means certainly that it must export or suffer heavy unemployment; but also that it must be reluctant to admit imports which, it will be argued, cause unemployment.

The Government has also said that it is not counting on any further help from America under the Marshall suggestion. The inference is that the rest of a still yawning gap is to be filled by home production. There are some new "targets" for 1948, such as an extra £100 million from agricultural production. These targets are all clearer than the means of hitting them. Measures such as the "staggering" of factory working (to eke out electrical power); the direction of all those applying to Labour Exchanges after October 1 to "essential work" (if suited to it); and the working of longer hours where they will lead to greater production, are announced or being negotiated with the trade unions. Without doubt the supreme necessity is the production of more coal. Under the five-day week which began last May, production, after an initial spurt, shows little signs of reaching the "target" of 200 million tons this year, still less the higher target of 225 million tons asked for by the T.U.C. There is still far too much avoidable absenteeism. This is not due, as Ministers say, to a few slackers and trouble-makers, because the figures show that the voluntary absentees are not the same people from week to week. The causes of the trouble are far more complex. Misconceptions about the effect of nationalization are one; and another is that miners stomach even less than most folk, who are more used to it, the paradox that the harder you work the higher you are taxed.

Somnambulant Legislation

THESE economic questions, and also the political questions caused by Russia's actions which are outside the scope of this article, have overshadowed all domestic legislation. It has seemed almost immaterial that the Agriculture Bill should have reached the Statute Book when this year's British harvest seems destined to be poor. The Electricity and Transport Bills appear irrelevant when fuel famine threatens to fade out electricity and to cripple transport, or, as Mr. Herbert Morrison has suggested, a breakdown in transport, may cripple the distribution of fuel. The Finance Act appears academic when whatever the financial balance-sheet over this or that period the commercial balance-sheet is so deeply in deficit. The Bills required by the historic transfer of power from the British Raj to Indian hands pass almost in an afternoon. The Government's refusal to give effect to the principle of equal pay for women for equal work creates no substantial storm. Mr. Morrison's announcement of the setting-up of a well-manned advisory Planning Council to draw up a new Four- or Five-Year Plan causes scarcely a head to turn or a mouth to open. To a large extent the zest has gone out of this House of Commons. It can only be hoped that the zest

for politics has not seriously declined among the public. Apathy is the real danger to parliamentary democracy.

Naturally this onrush of crises has had its effect upon the parliamentary and administrative machines. There is a limit to physical endurance, and tired men are unfertile in ideas and lethargic in execution. Quite apart from the rightness or wrongness of their policy, Ministers and the higher ranks of the civil service have been under great and continuous strain for two years—some of them for much longer. Not without reason, the Prime Minister appealed to the Labour Party Conference last May "not to overstrain the machine". It must be added that, so far, the general high quality which might have been expected from a House more than half of which consists of ex-Service men has not been too evident. When Mr. Attlee is reproached for not trying new men more, it may be that he has few more good men left to try, except the trying ones.

Colonial Finance

A FEATURE of British politics is that, whatever Government is in office, a number of useful non-controversial things get done. There seems a convention to take a certain percentage of time off from squabbling to be sensible. One such thing has been the making of very large provision for colonial development. One corporation is to run a big scheme for groundnut production in East Africa. Another is to finance (with borrowing powers of £100 million) similar schemes, productive or public utility, in any colony. There is nothing new in the idea. In the first place the development work done by private companies in these territories (e.g. Tate and Lyle, Cadbury's, Unilever, the Malayan rubber and tin companies, &c.) is very great. In the second place, it has never been true that capital for the development of primary products has been grudged. What has held up colonial policy is the dislike of appearing to exploit native populations, together with the frequent existence of a glut in the market for colonial products. The replacement of objective tutelage by active tutorship has meant that development runs little risk of being regarded as other than mutually beneficial, and this view has been reinforced by the replacement of glut by scarcity. What has, perhaps, not been made clear enough is that this development will take time to mature; and, whether or not demand for its results still exists when the results come to hand, it must be very doubtful whether they will ever be on the scale necessary for the kind of imperial economic autarky of which, some suggest, these plans are a beginning.

The Government and its Critics

ENOUGH has been said to show that parliamentary democracy in this country is being and will be exposed to a most severe test. There is quite a lot of truth in the Government's contention that no British administration has ever been faced with bigger problems. Quite a common reaction among members of a harassed public is to say "Nobody else would have done better", though there are also traces of another kind of reaction,

namely, "Nobody could have done worse". Let us list a few of the pros and cons in this matter. The Government say that two world wars and the mismanagement of their predecessors have deprived the country of its reserve resources. The critics reply that the Government act as though inexhaustible resources were still there. The Government say that central planning is indispensable. The critics reply that there is only central chaos. The Government say that planning means that Parliament must legislate with unexampled rapidity. The critics reply that this rush means ill-digested Bills and inefficient administration. The Government say that public ownership of 20 per cent of industry is indispensable and modest. The critics reply that the chosen 20 per cent are key industries, which govern the fate of the other 80 per cent. The Government say that their purpose is to combine public ownership with individual liberty. The critics retort that socialism on this scale is incompatible with individual liberty, which is fated to suffer progressive restriction. As between the Government and their critics only actual experience can decide.

United Kingdom,
August 1947.

IRELAND

POLITICAL PROSPECTS AND DEVELOPMENTS

POLITICAL parties like persons are apt, as they grow older, to become conservative and sedate, sometimes even rather dull. So it is with Fianna Fail, the Irish government party, which has recently been celebrating its coming of age. It is, indeed, difficult to believe that this is the same rather extreme party which was elected to office in 1932 on a programme that promised not only to sever the last links with Great Britain but to reduce taxation, abolish emigration, restore the Irish language and increase employment. Now, fifteen years afterwards, our political position has not really changed, for we are still, by the Government's own deliberate choice, associated with the British Commonwealth; taxation has increased by some £45 million; our population is decreasing year by year and during the last ten years about 200,000 of our people have emigrated to Great Britain; 61,000 are registered as unemployed; and no real progress has been made in the restoration of the Irish language. No doubt we have a President residing in the Phoenix Park instead of a Governor General, but he costs just as much and exercises almost exactly similar powers. If manufacturing industries have increased, our major industry, agriculture, is languishing and our people are still deserting it whenever they are able.

It is therefore not surprising that Mr. de Valera, speaking at Longford on June 28, should have complained that the country was being hampered by a shortage of man-power, the responsibility for which he placed on "other countries" although he was careful to add that our scarcities and privations were due to our own actions rather than the inability of Great Britain to supply us during the war. In the main his speech was an apology for his party, which he claimed had done great things for the country, but which after fifteen years in office was, he said, only at the beginning of its work. They meant, he asserted, to complete their programme by bringing about the unity of the country and restoring the language, although he was silent as to the methods by which these miracles were to be accomplished. Referring to the continued emigration, he said we were a free country, and if those who left thought that the prospects in Great Britain were more attractive the Government were powerless. They could only regard it as a national loss. They had been accused of causing emigration but nobody told them how it was to be remedied. They knew there was only one remedy—to build up our agriculture and industries so that the people would be employed to produce more and more. He did not, however, refer to the fact that the problem of agricultural production, which is to us what coal is to Great Britain, has been virtually ignored since his Government took office.

All this faded rhetoric about partition and the language is not peculiar to Fianna Fail but common to all parties, and it is hard to escape the conclusion

that the only unique quality of the Government party is Mr. de Valera's gift for leadership and strategy. Whether this derives from elusiveness, aloofness or genius, there can be no doubt that the discipline and loyalty of his party are the envy of his opponents and show no sign of abating. Moreover they are the only party with any semblance of organization, and their material resources have undoubtedly been strengthened by their long spell of power. Yet they are undoubtedly stale, rather restive and quite uncertain of their future policy. Were they confronted at the next general election, due in two years' time, by a determined and united opposition with a coherent policy and effective leadership, their chances of victory would be dim. Of this desirable development there is, however, no sign. The two agricultural groups have recently united to form a Farmers' party, but the Labour party is as divided as ever. The largest opposition group, Fine Gael, lacks leadership, policy and organization, while the other small "splinter" parties show no signs of growth or coherence. The present constitution of the Dáil, or House of Commons, is: Fianna Fail, 75; Fine Gael, 28; Farmers' party, 11; Independents, 8; Labour, 8; and National Labour, 4. There are three vacancies in Waterford, Tipperary and Dublin.

The Supreme Court has unanimously decided that the Sinn Fein Funds Act,* which purported to terminate the legal proceedings concerning the Sinn Fein party funds and to apply them to a trust for the assistance of needy patriots, is repugnant to the solemn declarations as to the rights to private property contained in Article 43 of the Constitution, and that it is also repugnant to the Constitution as being an unwarrantable interference by Parliament with the operations of the Courts in a purely judicial domain. Thus for the third time the somewhat vague "fundamental rights" fortunately embodied in Mr. de Valera's Constitution have recoiled on their author.

The Northern Ireland Bill

THE Northern Ireland Bill, the second reading of which was passed in the House of Commons without a division on June 13, is the most hopeful sign which has come out of Ireland since 1921, for it shows that the two Irish governments are prepared to co-operate for national purposes. It is a valuable measure, not only because it increases the legislative powers of the Northern Government and thereby their responsibility, but more particularly because it enables them to give effect by legislation to agreements made with the appropriate departments of the Irish Government concerning joint public-utility schemes for hydro-electric supply, arterial drainage, transport facilities and the like. An amendment to the Bill, standing in the name of 200 members, which proposed that it should be refused a second reading "until such time as, in the opinion of the House, the Parliament of Northern Ireland so administers the Government of Ireland Act, 1920, as to provide democratic liberty and equality for the people of Northern Ireland", was never moved and received only vocal support. It was perhaps

* See *THE ROUND TABLE*, No. 147, June 1947, p. 280.

impossible for the House to resist the opportunity for a real old-fashioned Irish debate of a largely irrelevant nature, but it only revealed that Irish quarrels are now of little interest to the House of Commons. The charges made against the Northern Government, which are not new, were in effect that they exercised dictatorial powers of coercion and arrest, and that they discriminated against the political and religious minority by their electoral machinery. The short answer to the first of these accusations is that the special powers of arrest and imprisonment referred to were in fact essential to deal with the serious menace of the I.R.A. both before and during the war, and that neither Mr. Cosgrave's Government, nor Mr. de Valera's for the greater portion of its existence, was able to dispense with similar authority for the same purpose. Mr. de Valera's Government, indeed, only stopped using these powers at the end of May, and has preserved the right to reimpose them if necessary.

As regards electoral discrimination the Northern Government's answer, which is not convincing and certainly not democratic, is that while they are dealing with an opposition whose declared aim is the severance of Northern Ireland from Great Britain they are entitled to protect themselves by a restricted franchise and by "gerrymandering". As there are two Unionists for every Nationalist in Northern Ireland this attitude seems unjustified and unnecessary. But these considerations are largely irrelevant and, indeed, otiose. In the larger sense the Government of Northern Ireland may claim to have acted democratically because these franchise restrictions, principally in the domain of local government, undoubtedly reflect the deeply held convictions of the large majority of the electors, who are not only conservative but attached to the British Crown and anxious to participate fully in the economic life of Great Britain. So much is this the case that even a prominent Nationalist member of the Northern Parliament recently admitted in private conversation that, whatever solution of the partition problem was finally arrived at, the Northern Nationalists would not favour the abolition of the Northern Parliament. Nor can it be truly said that religious persecution, as such, is now prevalent in Northern Ireland. Political discrimination there naturally is. The Northern Ireland Bill is thus admirable in conception and purpose, because it provides for the first time a bridge between the two Irish governments, and presents a fine opportunity for both to promote the development of the whole country. It is only through practical and fruitful co-operation of this kind that partition may in the long run be ended. The sooner both Irish governments realize, as they at last seem to be doing, that they must live as "good neighbours" having a common interest in their country, the sooner will a *modus vivendi* of a more permanent kind be reached. But they must be left alone. Ignorant and ill-informed, even if well-intentioned, English interference can only do harm. Mr. Christopher Hollis, M.P., writing in the *Tablet* on June 28, suggested that the Ulster problem should be solved by handing over Tyrone and Fermanagh to the Irish State and incorporating the four remaining Northern counties in the United Kingdom. Nothing could be better calculated to upset and bedevil Anglo-Irish relations.

Mr. de Valera's Remedy

M R. DE VALERA, however, still seems to cherish the illusion that the British Government holds the key to Irish unity and that it can by some magical process remove the suspicions and prejudices which have their roots deep in religious and historical differences. Speaking in the Dáil on June 24 he said that he thought it would make towards a solution of the problem of partition if they could get from the British Government a simple declaration to the effect that they were desirous to see partition brought to an end, that they would do anything they could to bring it to an end, and that, if agreement was reached, there would be no hesitation on their part to give effect to it. Until such a declaration was forthcoming they could, he claimed, only deal with this problem on the basis that there were three parties, the concurrence of whose wills had to be brought about before it could be ended. This did not mean, he added, that he differed from the view that if they could get agreement between the two Irish governments British agreement would follow. He ruled out any question of dealing with the matter by force. This somewhat involved, and even contradictory, utterance conveniently ignores the fact that spiritual partition existed long before it was given legal form by the British Parliament in 1920. It is merely foolish to ignore the fact that for many centuries religion and politics in the North have run on parallel lines and that loyalty to the British Crown is the major test applied. Yet in the very speech already referred to Mr. de Valera was careful to explain that while we are *associated* with the States of the British Commonwealth we are not a member of it. He added that "if being in the Commonwealth implied in any way allegiance, or acceptance of the British King as King here, we are not in the Commonwealth, because the position here is that we do not accept either of those things". By the External Relations Act, he pointed out, his Government had retained the King for use by the Executive Council so far as they were prepared to use him. If at any time they desired to get rid of him they could. He added, incredible as it may sound, that he believed that such an association with the Commonwealth served a useful purpose as a basis for the ending of partition.

During a subsequent debate in the Dáil on July 3 he said that a practicable, but by no means ideal, solution would be for the people of Northern Ireland to retain their local Parliament with its existing powers, the residual powers at present exercised by the British Parliament being transferred to an all-Ireland Parliament in which the minority would receive their full democratic proportional representation. Such a solution was not, however, advanced by the silly speech of the President, Mr. Sean T. O'Kelly, at Ballina on July 13, when he declared that the national programme was not yet completed; but "they would win complete freedom for all the counties of Ireland. Every man and woman of their generation could play their part to put an end to Ireland's last link with the British Empire". Informed persons in Ireland do not, of course, take Mr. O'Kelly's personal pronouncements seriously, but this quite irresponsible statement makes nonsense of Mr. de Valera's talk about the "concurrence of wills" between the three Governments concerned

and may be taken seriously elsewhere. It would seem that both Mr. de Valera and Mr. O'Kelly either have not the least conception of the Northern attitude or are anxious to perpetuate partition as a valuable political catch-cry. The Ulster Unionists have their own strong conception of what loyalty means, and they would certainly never willingly enter a State where the King was regarded as an external functionary to be summarily discarded when convenient. Nor would any conceivable British Government now compel them to do so. It is therefore not difficult to understand why Mr. Attlee stated, in reply to a question in the House of Commons on June 30, that His Majesty's Government in Great Britain did not consider their policy of maintaining and developing the closest relations between Great Britain, Northern Ireland and Ireland would be assisted by making the declaration suggested by Mr. de Valera.

The Communist Threat

PARTITION has, indeed, become a political "red herring", but so long as it exists it can be used for making trouble not only in Ireland but wherever Irish people are to be found. Mr. James Dillon, T.D., has recently pointed out on several occasions that it is already being so used by Communist agitators for the purpose of creating friction between Great Britain and America. There was, he insisted, only one clear issue in the world to-day—whether Bolshevism would prevail over the democratic system—and we must, he said, be careful lest the Politburo be enabled through our folly or our ignorance to use our people in Great Britain and the United States for the purpose of fomenting misunderstanding and ill will between those two countries. As an example of what he had in mind he instanced the Connolly Clubs, which use the name of the 1916 Labour leader although formed by the English Communist party. He also referred to a provocative pamphlet, of Irish-American origin, which had been sent to the members of the Dáil. This publication contains a savage attack on Mr. de Valera's Government for its treatment of the I.R.A. prisoners and is a typical example of pernicious propaganda. Mr. Dillon said that both war and the realization of the Communist aims would become impossible if they had a political movement based on Christian concepts to conclude a twenty-years agreement between Britain and America, securing the free passage of men, money and goods between both countries and the British colonial empire, which the other Commonwealth countries would be free to join if they wished. Such a development would, he argued, put Britain back on her feet, remove the threat of an American slump and show the European nations that they could rely on the strength and solidarity of the democracies. There is little doubt that Mr. Dillon's views are shared by the great majority of our people both North and South, for they realize that a renaissance of western Europe firmly based on Christian and liberal traditions is the only hope of the world. The Irish Government, being well aware of this fact, promptly accepted the invitation to attend the Paris Conference on European reconstruction, at which they were represented by Mr. Sean Lemass, the deputy Prime Minister and Minister for Industry and Commerce, and Mr. P. J. Smith, the Minister

for Agriculture. After the first meeting of the Conference Mr. Lemass, who had apparently assumed the rôle of the innocent abroad, informed a press correspondent that "the Irish delegation came to Paris with the understanding that the conference was economic rather than political, but he was surprised to find that most of the nations had sent their Foreign Ministers"; he also expressed surprise at the political tone of the opening speeches, although Mr. Bevin explicitly stated that the Conference "was not political in its conception or its intention". Mr. Dillon in a letter to the press aptly commented that Mr. Lemass's observations would be "manna from heaven for the Politburo to use in the ceaseless campaign of lies and propaganda against those who seek to resist their intimidation". Ireland was one of the countries represented on the Food and Agricultural Committee of the Conference and is also represented on the Co-Operation Committee.

Our Government have already made a generous contribution, according to our means, in food and clothing, towards the relief of Europe, and have taken a useful part in the work of the Food and Agricultural Organization of the United Nations. The Russian veto on our application for membership of the latter body was again enforced when the matter came before the Security Council on July 30; Mr. Krasilnikov, the Russian delegate, stating that Russia could not overlook the fact that Ireland did not help the Allies to lay the foundations of the organization she was now trying to join, and that even in the most critical part of the war she expressed open sympathy with the Axis and Franco Spain. Mr. de Valera's very proper comment on this typical Russian perversion was that it was simply untrue. Ireland had, he said, remained neutral during the war, but she would have defended herself to the best of her ability if attacked. Russia, on the other hand, assisted Germany for two years and by the Ribbentrop Non-Aggression Pact had given her a free hand to go ahead. He failed to see how Russia, which had attacked Finland, Poland, Estonia, Latvia and Lithuania, could be regarded as qualifying for membership of the United Nations as a peace-loving nation. The Russian action was, he concluded, clearly an abuse of power, and it was obvious that no organization in which such action was possible could command the people's respect or long endure. Irish public opinion has unanimously endorsed this dignified rebuke.

Economic Realities

WHATEVER may be the result of the Paris Conference our economic fortunes are indissolubly linked with those of Great Britain; but, ranking as we do among the leading creditor nations of the world, there seems to be no reason why we should hesitate to seek additional dollar credits if these are necessary. The London Foreign Exchange Control has generously met our claims since the end of the war, but we can now only convert into dollars, or other "hard" currencies, the net export surplus arising from current transactions, if and when this can be ascertained. No doubt the existing informal and elastic exchange arrangements with London will be continued. We cannot, however, hope for the early conversion into goods of more than a small proportion of our accumulated sterling balances,

which are in the region of £190 millions. On the other hand, the British people badly need the agricultural produce which, given increased production, we should be in a position to supply. We are not only the nearest but the cheapest agricultural market available. Of every 125 units of food produced here at present only 25 are exported. It therefore only needs a 20 per cent increase in production to double our food exports; a 50 per cent increase would nearly quadruple them. But to increase production we need agricultural machinery, phosphates and culm (a British coal product) for burning lime. Thus our agricultural production is dependent on British industrial production and co-operation. But we naturally require in return for our produce not only fair and stable prices but capital and consumer goods, not mere paper credits. Britain also needs our custom; last year we were her fifth most important export market. There are signs that these vital facts are at last being realized on both sides of the Irish Sea and that a long-term plan for Anglo-Irish trade may be arrived at. The recent economic pact between Belgium, Holland and Luxemburg might well be studied by our politicians in such time as they have left from learning Irish. Our future as a healthy prosperous race is bound up with a big increase in agricultural production, which only such a plan can secure. The flight from the land and the late marriages in our rural districts are both the result of our small-farm economy, the worst features of which have been accentuated by the political policy of the last fifty years. Mr. de Valera recently deplored the "constant downward trend" in the number of people engaged in agriculture, and mentioned the disquieting fact that since 1931, the year before he took office, the number of people so employed had fallen by more than 40,000. The official records also show that "the percentage of males and females unmarried at the younger ages is the highest in the world" and that "in rural areas the number of children decreased by 78,000 between 1926 and 1936". To combat this tendency Mr. de Valera has made the ingenious proposal that a second house might be built on suitable farms. There the eldest son when he marries could raise a family and there later the old people could retire when they eventually relinquished control. Such an experiment would certainly seem to be worth trying, at least on a small scale.

In other respects the economic outlook is more reassuring than it was a few months ago. The importation of 600,000 tons of American coal has enabled industry and the railway service to resume their normal activities. Bad weather and strikes of turf cutters have reduced turf production to a minimum. It is also very probable that, owing to Britain's economic plight, our petrol ration will be reduced in the near future. Although the wheat mission to the Argentine was fruitless because of the exorbitant price demanded by the Argentine Government, the grain position is understood to be secure till November. After that it will have to be reviewed in the light of national and international needs. It seems certain, however, that, if the present bread ration is to be maintained during the coming year, we must import a greater quantity of wheat than last year.

Ireland,

August 1947.

CANADA

PLANNING THE INTERNATIONAL TRADE ORGANIZATION

OVER the past three years an imposing array of international institutions has been set up or planned to promote and safeguard the operation of a world economy. They have had their slender roots in the recognized failure to achieve adequate economic co-operation after World War I, in the penalties incurred in the 'thirties for lack of collaboration and in the economic discussions called for under Article VII of the Lend-Lease Agreement. A number of these institutions are narrowly technical bodies. The Food and Agriculture Organization seems to be developing a pattern of operation through conventions, similar in part to that of the International Labour Organization. Three of them, the International Monetary Fund, the Bank for Reconstruction and Development and the proposed International Trade Organization, have interrelated functions which focus on the central relationships of a world economy. The Fund and the Bank have the corporate independence made possible by permanent capital and carry on financial transactions with their members. The proposed I.T.O. is likely to have a distinctive character, exercising, in part, a quasi-judicial function based on its charter and underlying conventions and, in part, consultative and advisory functions. Its charter will include a general commercial code binding on all members and embracing all commodity trade, supplementing and limiting the network of commercial treaties and agreements.

Transitional Problems

OF recent months the impressive architecture of these institutions has been overshadowed and dwarfed by emerging world events. The slowness of European recovery and the positive deterioration of conditions in critical areas has indicated that the so-called transitional period is taking much longer than the more optimistic had forecast. The evident inadequacy of the dollar resources of the United Kingdom and other countries is in part the result of unforeseen circumstances but in part the proof of the meagreness of the programme in relation to what must be accomplished. Whether the Marshall Plan will be large enough and early enough in execution to meet the situation, even if it is fully implemented by Congress, is undetermined.

In the transition crisis of the past few months Canada has had her own phase in the sharply adverse balance of payments with the United States and the heavy drain on her dollar reserves. The situation is easy of explanation even though difficult of solution. Before the war a high level of employment and business activity in Canada had always been associated with high exports and even higher imports, financed in part by a capital import. During the early years of the war high production and employment and the diversion of exports to the United Kingdom produced a rapid rise in imports from the United States and a drain on dollar reserves. For a time the drain

was mitigated but not halted by rigorous restriction of imports from the United States and the limitation of travel expenditures. Later, purchases of war supplies by the United States under the Hyde Park Agreement and a persistent purchase of Canadian securities by U.S. investors (in addition to the proceeds of ordinary exports) provided sufficient U.S. funds to pay for greatly swollen imports and make possible the building up of large dollar reserves. This surplus was achieved despite the heavy Mutual Aid programmes, which produced no exchange but required great outlays for imports from the United States.

In the post-war period, or in preparation for it, a number of steps relevant to the present situation were taken. Provision was made for a programme of loans to the United Kingdom, European countries and China, which finally totalled about \$2,000 million. The part of the War Exchange Conservation Act which restricted imports from the United States was repealed. Controls on Canadian consumption and investment were progressively relaxed, if not abandoned. The Canadian dollar, which had been held at approximately 90 cents U.S. throughout the war, was appreciated to parity in July 1946 in an attempt to counteract the upsurge of U.S. prices. In the period from then to the present, consumer buying rose to unprecedented levels, and a huge private investment and housing programme appeared in prospect.

In these circumstances, monetary strain would have been avoided only if Canada had achieved an international current-account surplus at least equal to the net capital export. In fact, the results of 1946 show that a large current surplus (\$351 million) was achieved, but that it, together with capital inflows, was insufficient to meet the loans and advances to the United Kingdom and foreign governments (\$750 million), with the result that Canadian reserves of gold and U.S. dollars decreased by \$263 million.* Though more recent complete figures are lacking, the statistics of merchandise trade for recent months indicate that the same movements are continuing.

It is usual to explain this situation by referring, on the one hand, to Canada's high propensity to import and, on the other, to the inconvertibility of many of the world's currencies. This is proper enough, but it is important to realize that Canadian imports, though very high, are not inordinately so, having in mind the high level of national income and the accumulation of war-time savings. The situation is more clearly explained by the magnitude of Canadian post-war loans to the United Kingdom and Europe, the pre-emption of an unusual proportion of our exports for these debtors, and some substantial diversion of our import buying to the United States because of lack of supplies elsewhere. It does not spring from a weakness in the Canadian economy but from Canadian attempts to contribute to reconstruction and recovery abroad at an earlier stage and on a proportionately higher scale than other countries. The risks were inherent in the attempt, but Canada "recognized its vital national interest in the economic restoration of its overseas customers, in order that they may ultimately be able to resume mutually profitable trade with us on a cash basis".†

* Foreign Exchange Control Board: *Annual Report to Minister of Finance for the Year 1946*, Ottawa, April 1947.

† Ibid.

In the underlying agreements of the international institutions the necessity of the transitional period during which members would be relieved of some of the obligations was recognized. The London revision of the I.T.O. draft specifies a period ending July 1, 1949. The articles of the Fund do not give a precise termination date but put the onus of proof on members not conforming to all requirements at the end of five years. Neither of these agreements contributes positively to meeting the problems of the transition period; they provide temporary escapes from long-run obligations. The International Bank in its provision of reconstruction loans does make a positive contribution but on a scale which is clearly too small and too restricted in purpose.

The effective provisions for meeting the transition period have been the U.S. and Canadian loans to the United Kingdom and to western European countries and such measures of mutual help as the war-devastated countries have been able to extend to each other. UNRRA and post-UNRRA help plus military help have been directed to relief rather than rehabilitation. The Canadian loans have been given earlier and, in relation to Canadian resources, on a bigger scale than those of the United States. Canada feels that she has gone as far as her resources will permit and the strains of the existing programme are evident. The United States for months has directed enquirers to the International Bank.

It is quite clear that the problems of the transition period have been underestimated. Even allowing for the misfortunes of weather which have delayed rehabilitation and imposed on U.K. and Europe unexpected food import requirements, and the delays occasioned by Soviet non-co-operation, the size of the task and the duration of the period have been misjudged. The transition period following World War I cannot be said to have ended before 1924 or 1925. That following World War II, in which physical devastation has been more widespread and political and social disintegration much greater, cannot be expected to be shorter; and yet five years is a period mentioned more than once.

Yet in some degree the national and international arrangements for the transition period have been much more effective than after World War I. Relief has been on a comprehensive and collaborative basis. Loans have been clearly separated from war finance. Importing countries have maintained rigorous controls. On the other hand, it is true that rapid abandonment of controls in the supplying countries and the subsequent increases in prices, and the uncertainty of adequate financial provision, have made progress slow and disappointing. In the main, it is the magnitude of the task that has been misjudged and the stubbornness of the political problems that have made it difficult to find even tolerable answers to economic questions.

Multilateral Trade

YET, with varying degrees of optimism, Canadians attach the greatest importance to the I.T.O. discussions. Without the revival of multilateral trade, Canadian loans to overseas countries become merely humanitarian expenditures. Without it, a compromise between our high wage level

and the narrow domestic market is not possible. A choice between the U.S. and U.K. markets is a choice between two conditions of poverty. Even the combination of those markets is insufficient to accommodate the volume and variety of our output. From one-fifth to one-quarter of our exports have normally gone to other markets.

Aside from the general purpose of providing a commercial code for the trading world, Canadian interest has been directed particularly to the reduction of trade barriers, mainly perhaps because of the recollection of the markets from which protectionist policies excluded Canadian products from 1923 on, and the experience of war-time and post-war trade regulations.

Quota and Licensing Restrictions

THREE is the fullest Canadian support for the elimination, or the confinement to narrow exceptions, of the quota and licence restrictions which have been so prevalent over the past two decades. Not only are they in practice more restrictive than high duties, but it is impossible for even the best governments to administer them without national and even individual discrimination. Increased efficiency cannot prevail against them. They are subject to administrative rather than judicial enforcement, which often leaves the injured individual without remedy.

The numerous exceptions in the London draft to the prohibition of quotas and licensing occasion misgiving. Those which provide for the transitional period are unavoidable, and there is something to be said for giving wide latitude for that temporary though not necessarily short period in order that apprehensions may be relieved. There is danger, however, in the exception for quota restrictions on farm and fisheries products, to be imposed when necessary to enforce measures to restrict the production of domestic products or dispose of temporary surpluses at low and differential prices. This exception, designed to accommodate agricultural price-support programmes, like that of the United States, is safeguarded to some degree by a requirement that the restrictions must not reduce the normal relationship between imports and domestic production. Yet the tendency will be to freeze the existing pattern or even a pre-war pattern of agricultural production. Mechanical improvements on the one hand and nutritional standards on the other require continuous change in the pattern of agricultural production and sources of supply. Such countries as Canada with an export agriculture may suffer seriously under this, which is a permanent exception.

The exception to the prohibition of quotas and licences to safeguard the balance of payments is also a matter of concern. Such an exception is necessary, but precise criteria have not been laid down for its implementation. The present draft formula is looser than corresponding sections of the Fund articles. A member is permitted to impose such restrictions in order to prevent a serious decrease in monetary reserves or provide for a necessary increase. Consultation with the Organization before or immediately after is required; and injured members may make complaint to the Organization, which may recommend removal of the restrictions. Non-compliance within sixty days will release other members from their obligations under the Charter.

in dealing with the member offending. The critical question what is to be considered a serious loss of reserves is left to the judgment of the Organization, in collaboration with the Fund. The views of members are likely to differ widely. There has apparently been unwillingness to adopt a logical formula. One of the purposes of the Fund is to provide reserves for use in meeting variations in the balance of payments. The logic of the I.T.O. clauses on employment is that members should be willing to use their drawing rights with the Fund to postpone and avoid "exporting unemployment" by adopting trade restrictions. It would therefore be reasonable to permit quota restrictions after a member's adverse balance of payments had drawn down its quota by a stated percentage. As it is, the looseness of the present draft foreshadows serious disputes and invites attempts to use the exception for illegitimate purposes.

Nevertheless, even though the exceptions are risky, if quotas and import licensing can be contained within the proposed limitations of the Charter, we shall have made real progress towards the freeing of trade.

Tariff Reduction and Preferences

THE other major method of reducing trade barriers, as provided in the I.T.O. plan, is through negotiation of bilateral trade agreements, which is now proceeding at Geneva. The procedure, necessitated by the U.S. Trade Agreements Act, is madly complex; but the desired result is simply a simultaneous, though not necessarily equal, reduction of tariffs by the chief trading nations. Here the United States is called upon to play the chief rôle, and there is lively interest in Canada over what advance on the Canada-U.S. Trade Agreement of 1938 can be achieved.

It is well to recall some past history in order to gain perspective. A result of the rise in prices during and since the war has been to reduce the effectiveness of all specific duties. The U.S. tariff contains a large number of specific and compound duties, and the over-all incidence of the tariff has therefore been significantly reduced. Following World War I, the United States, in a similar position and in the face of a sharp post-war recession, enacted the Emergency Tariff of 1921 and the Fordney-McCumber Tariff of 1922, sharply increasing duties before the post-war transition was over. Canadian agriculture suffered severely from these tariffs. The increases had the more harmful effect because improvements in U.S. efficiency and man-hour output were just about to be realized. At the very time when the competitive position of the U.S. producers was improving, additional obstacles were put in the way of imports.

If the present negotiations result in preventing a similar post-war increase in the U.S. tariff and in addition bring about a substantial reduction, a great gain will have been achieved. If the rates of the present U.S. tariff were competitive, any reduction would be helpful. Unfortunately many are prohibitive and moderate reductions would have nominal effects.

The treatment of preferences in the negotiations has been the most discussed but not necessarily the most important topic. A cardinal principle of the proposals is non-discrimination. Preferences, in U.S. eyes, are a

symbol of discrimination. Canadians are keenly interested because preferential trade is important to us and because our institution of a preference in 1898 began the British preferential system of this century.

It is important to remember that there have been two kinds of preferences in recent Canadian history. From 1898 to 1932 Canada extended preferential rates to U.K. goods and, with minor exceptions, received no preferential advantage in return. Though there were frequent demands for reciprocal treatment the policy was approved in Canada as a sensible practice of extending lower rates of duty to a free-trade or low-tariff country than to one having high tariffs. It was in effect a conditional most-favoured-nation policy. It had also incidental advantages in promoting east-west traffic in Canada and in effecting a viable political compromise. In 1932, by the Ottawa agreements, a different sort of preferential system was adopted. A network of bound preferential margins was created. Each country had contractual rights in each other country's tariff and the object of negotiations was not low rates of duty but a high margin of preference. Thus the Canadian consumer pays a duty on U.S. oranges for the purpose of protecting not Canadian but Australian producers. This is a much more exclusive and tightly bound system than that which existed in Canada before 1932.

It is worth noting that the present proposals really represent an extension of the system of preferences on a comprehensive basis. Members of the Organization are prohibited from extending to non-members, except with the concurrence of the Organization, the tariff reductions granted to members. There will therefore be a preference among members as against non-members. Emphasis is, however, on the level of duty and not on the margin of preference, and membership is open, not closed.

It is evident that U.S. demands for the *elimination* of preferences have been amended to *reduction*. Canadian views have always been that reduction of trade barriers was more important than literal non-discrimination. Preferences have been a form of protection to be reduced by negotiation along with other forms. It is important that any reduction of preferences should be effected by the decrease, not by the increase, of duties. It would be a most unsatisfactory result of the present negotiations if the U.S. demand for reduction of preferences were met by an increase in the rates of duty between members of the Commonwealth.

State Trading

ONE of the points on which the draft charter is least satisfactory is State trading. The undertakings of members to practise non-discrimination in State trading and to be guided solely by commercial considerations are weak safeguards. In fact, no satisfactory provisions have been found which will at the same time accommodate State trading and achieve multilateral and non-discriminatory trading. As long as State trading is an exceptional method, as in the case of a State tobacco monopoly, the problem is not so serious, but where all or a large part of the import trade of a country is in the hands of State monopolies it will be very difficult for such a member to conform to its obligations or to provide satisfactory evidence that it has

conformed. The compromise is unsatisfactory, but it is difficult to think of a better. Probably we shall have to acquire experience before we can formulate principles.

It is not possible to discuss at length the complex proposals which have particular reference to trade in farm products. The exception from the prohibition of quotas has already been noted. Export subsidies, as distinguished from income or production subsidies, are prohibited except when a product has been judged to be in burdensome world surplus and measures to relieve the situation have failed. Provision is made for a whole system of commodity agreements. The principles set out are estimable and the objects worthy, but there is little clue to the fundamental pattern of the agreements themselves. Within the framework proposed it will be possible to set up stabilizing buffer-stock schemes or restrictive production agreements. It may equally be difficult to get any agreement at all. However, the recognition of the unsatisfactoriness of the old type of producer agreement, the deference paid to the sources from which the products can be supplied most effectively, and the emphasis given to expanding world consumption, indicate a new approach which may yield fruit.

Employment

THE present draft charter goes far towards making the maintenance of full employment an international obligation. It stops short of making the failure of one country to maintain full employment the occasion for releasing others from their obligations. It does note the consequences of a depression in a major trading country on the balances of payments of other countries. There are those who feel that the U.S. economy is inherently unstable and that the depression of the 'thirties was made in the United States. They believe further that security can be found in self-sufficiency, singly or in blocs. None of these beliefs has strong adherence in Canada except that historically the United States has had its full share of instability. Isolation is not possible for us. Other economies also have their elements of instability. It is not probable that the United States will be more successful in maintaining full employment because of an international obligation. The demands of its own people are likely to be more effective. What is important in the draft charter is the recognition that international collaboration in the planning and timing of full-employment measures will be of the utmost importance and will require persistent and skilful effort.

The charter, which is being built for international trade, is designed to avoid the experiences of the inter-war period and provide an agreed framework in place of the chaotic improvising which spread impoverishment about the world. In its present draft it falls far short of the ideal, but it may be possible to agree on minimum standards and establish the I.T.O. as a working agency. At the moment the project is overshadowed by the crisis of the transition period, but its ultimate importance is not diminished. For many years the great need of the world is production, and without the economy of trade tolerable standards of living cannot be attained.

Canada, July 1947.

AUSTRALIA

REVIVAL OF THE POWERS OF THE STATES

THE distribution powers in the Australian Federation as between Commonwealth and States is such that in peace-time the State Parliaments control a range of matters at least as important to the citizen as those with respect to which the Commonwealth Parliament may make laws. Hence, as we make the transition from the war period, when the Commonwealth's defence power covered almost the whole field of government, to peace-time, in which the defence power again becomes restricted, the political importance of the States is correspondingly increasing. It is true that, quite apart from its direct constitutional powers, the Commonwealth is able to influence State policy by means of conditional money grants: a possibility which is especially great so long as the Commonwealth continues its monopoly of income taxation. In the Uniform Tax Case,* Sir John Latham, C.J., adverted to the possibility that the Commonwealth might impose conditions on its grants to the States, in lieu of the income tax they have been forced to abandon, in such a manner as to deprive the States of political initiative. Actually, however, the Commonwealth has not as yet made much use of its powers in this connexion, and Commonwealth Governments may find it politically dangerous to do so. For example, Mr. Chifley's Government favours the continuance of war-time economic controls, such as price control and regulation of building operations. The High Court has held that the Commonwealth's defence power will sustain such controls in the transition from war to peace, but it may hold before long that the transition period has passed, and accordingly that the relevant Commonwealth Acts and regulations, or some of them, have ceased to be valid. In order to avoid a sudden cessation of controls, the State premiers agreed to pass legislation to continue these controls in operation as State laws, since the States have undoubted peace-time power in such matters; and each of the States passed legislation in accordance with this promise, in such manner that the State Acts would come into operation as soon as the High Court held relevant Commonwealth regulations invalid. But the Victorian Legislative Council insisted that the Victorian Act be limited to a period of six months, which expired in June last, and then refused to assent to a renewal; thus Victoria may become the only State with no control at all over prices, capital issues, land sales and tenants' rights. In 1946 the Commonwealth voluntarily handed building controls back to the States. The Tasmanian Government has since abandoned these controls in its State, and there are wide differences between the types of control over building operations under the laws of the other States. The Commonwealth Government has made no attempt to impose any particular policy on the States in these matters by means of its power to make the grants of money (upon which the States depend to balance their budgets) conditional upon the maintenance of Commonwealth-approved controls.

* (1942) 65 *C.L.R.* 373.

The revival of autonomous State political activity is also further complicating the industrial problems which have been discussed at length in the last three numbers of this chronicle. The Victorian metal-trades strike has been settled by well-timed conciliatory activities of the Chief Judge of the Commonwealth Court of Conciliation and Arbitration. That court, however, is still hearing the general union claim for a forty-hour week; the proceedings began in March 1945, and the hearing has been suspended for a month because of the illness of three out of the four judges of the court. In the meantime the New South Wales Forty-Hour Week Act has come into force. This applies only to workers under New South Wales State awards. But in many establishments there are workers governed by Federal awards, prescribing a forty-four-hour week, employed alongside workers entitled to the benefits of the New South Wales Act, and this has caused a great deal of administrative dislocation and a series of small strikes. The dislocation has been increased by the vague terms of the State Act, which leaves it to the parties and the State Industrial Court to work out how the forty hours are to be made up; most of the unions want a five-day week, but some are willing to spread the hours over six days, and retail shops are naturally anxious to stay open on Saturday mornings. Some of the unions governed by Federal awards have instructed their members not to work for more than forty hours, and others have banned overtime. The resulting dislocation has caused iron and steel output to drop sharply. Judge Foster of the Commonwealth Court has settled one of the disputes by granting gas-workers, subject to a Federal award, the right to overtime rates for the last four hours of their forty-four-hour week. It is doubtful whether this is a suitable time for the introduction of a shorter working week; but even if such a major reform can be justified on general social grounds and for the sake of industrial harmony, it is difficult to conceive a more inept way of introducing it than that pursued in New South Wales.

Recent State Elections

HENCE the series of State elections held in the course of the last six months has been interesting not only as a pointer towards possible political developments in the Federal sphere, but because of the influence of these elections on the expanding area of State legislative activity. State elections have been held in South Australia, Western Australia, New South Wales and Queensland. In South Australia (as in Tasmania) the groups which in other States support two non-Labour parties* have fused into the single Liberal-Country party. A Government of this party, under the premiership of Mr. Playford, went to the polls with a Lower-House majority of 2 over Labour, and was returned at the recent election with a majority of 8.† In Western Australia a Labour Government under the premiership of

* Known in N.S.W. and Victoria as the Liberal and Country parties, in Queensland as the Queensland People's party and the Country party, and in Western Australia as the Liberal party and the Country Democratic League.

† The Lower House has 39 members; 3 independents held the balance of power before the election, and were again returned, but Mr. Playford does not now need their support.

Mr. Willcock went to the polls with a Lower-House majority of 13 over the Liberal party, the Country Democratic League and independents combined. The electors returned 24 Labour, 13 Liberal and 11 Country-Democratic-League members, and 2 independents, and a coalition non-Labour Government has been formed under the premiership of the Liberal leader, Mr. MacLarty. In New South Wales a Labour Government under the premiership of Mr. McGirr (who succeeded Mr. McKell on his appointment as Governor General) was returned with the loss of 5 Lower-House seats, but still retaining the substantial majority of 14 in a House of 90. In Queensland the Labour Government under the premiership of Mr. Hanlon was returned to office with the loss of 2 seats, leaving him a majority of 10 in a House of 62. In Victoria a Labour Government under the premiership of Mr. Cain holds office with the support of one or other of two independents in a Lower House of 65, and in Tasmania a Labour Government under the premiership of Mr. Cosgrove holds office with a majority of 4 in a Lower House of 30; but in neither of these States have there been any recent elections or by-elections which would give a pointer to the contemporary opinion of their electors.* It can be seen that these results indicate an Australia-wide trend away from Labour, but not a decisive one. It is impossible to estimate with any accuracy the probable results of a Federal election at the present time;† the substantial Labour majority in New South Wales suggests that the Federal Labour Government might still manage to retain a narrow majority, but the swing away from Labour in Queensland and Western Australia is more pronounced than the above figures suggest, for reasons which are mentioned later.

State Upper Houses

THE six Australian States follow a common constitutional pattern of responsible parliamentary government on the British model, but with many variations in detail. Queensland has had since 1922 a Parliament of one chamber, and the restoration of the Upper House would require a referendum. The other States have bicameral Parliaments. The Upper Houses are called Legislative Councils, and the Lower Houses are called Legislative Assemblies or Houses of Assembly. The Upper House in New South Wales is elected by the members of the Lower House and the Upper House voting together on "proportional-representation" principles.‡ Fifteen of its sixty members retire every three years. The Labour party is at present one short of a majority in the Upper House; it is probable that the next periodic election will give it a majority sufficiently strong to endure for some time even if it loses its majority in the Lower House. This system of indirect election was introduced in 1934; before then there had been a nominated Legislative Council, and the Labour party had threatened to abolish that body by

* In Tasmania there are no by-elections; the next available candidate from the preference list at the previous election fills a casual vacancy. In Victoria the Country party recently retained a "safe" seat at a by-election, with an increased majority.

† So many seats were uncontested at the State elections that the gross voting figures are an unreliable guide.

‡ The Hare-Clark system, of the single transferable vote, treating the members of the Houses as one 15-member constituency.

"swamping" it with Labour nominees pledged to support an Abolition Bill. The Upper House can now be abolished only with the approval of the voters at a referendum.* In the other four States the Upper Houses are elected on a restricted franchise. In Western Australia the qualification is ownership or occupation of land; in the other States there are similar property qualifications and alternative educational and professional qualifications. As a result of the fall in the value of money, the property qualifications have ceased to be very considerable, but they operate to confine the franchise to the owner and the legal tenant of premises, that is, as a rule, to the head of the household. In Tasmania both enrolment and voting are compulsory for Upper-House voters. In Victoria voting is compulsory and in most cases enrolment is automatic,† though in the cases where enrolment is not automatic it is not compulsory. In South Australia and Western Australia neither enrolment nor voting is compulsory. In each of these States the number of persons voting at Upper-House elections has been for many years about one-third of the number voting at elections for the Lower House.

The Labour party is pledged to the abolition of all the five Upper Houses. Its hostility towards the Upper Houses in Victoria, South Australia, Tasmania and Western Australia is especially great because the franchise for these Houses ensures that they have a permanent non-Labour majority. These Upper Houses pursue a convention of not acting primarily or simply as party-political bodies; hence they do not usually obstruct the passage of legislation approved by a majority in the Lower House, even when that majority is Labour. Nevertheless, their activities are sufficiently partisan in character to make them a permanent bar to the carrying out of the more radical proposals of Labour's policy. In each case the assent of the Upper House itself is required for its abolition or reform, and recent attempts at reform in Western Australia and Tasmania have been thwarted by the Upper House itself. The Victorian Legislative Council has recently shown increasing signs of a desire to impede the policy of the Cain Labour Government—a stand which it considers justified by the insecure position of that government in the Lower House. The Tasmanian Legislative Council has also been fairly active in opposition to Labour policy. The Victorian and South Australian constitutions have deadlock provisions which ensure that in the long run a sufficiently determined Lower-House majority will secure its will on all matters other than the reform of the Legislative Council. In Western Australia and Tasmania there are no deadlock provisions and the possibility of deadlocks is averted only by the tact and discretion of the Government and the leader of the majority in the Upper House. These Legislative Councils are survivals from an earlier stage of constitutional development, and can no more be reconciled with abstract democratic principles than can the House of Lords, but it cannot be said that there is any overwhelming body of public opinion in favour of their abolition or even of their reform. They owe their survival partly to the real merits of revising chambers, partly to

* The constitutional amendments securing this were drafted by the late Sir John Peden, whose death was noted in the last number of *THE ROUND TABLE*. See also 60 *Law Quarterly Review*, 83.

† Being taken from municipal rate-payers' rolls.

the party advantages which they afford opponents of Labour policy, and partly to the absence of any constructive proposals for reform as distinct from the Labour policy of abolition.

State Lower Houses: Electoral Systems

THE rôle of the Legislative Councils, however, is chiefly negative. Positive policies originate in the Lower Houses, which determine the character of the Cabinet. All the Lower Houses are elected on an adult franchise in elections for which enrolment and voting is compulsory. In New South Wales, Victoria, South Australia and Western Australia voting is preferential. Voters are required to indicate by numbers their preference for all the candidates in single-member constituencies; if no candidate obtains an absolute majority of the first-preference votes, the candidate with the smallest number is eliminated and the second preferences on the relevant voting-papers distributed as if first preferences among the other candidates, and so on until a stage is reached at which some candidate has an absolute majority. This is also the system used in Federal elections for the House of Representatives. It gives a fairer representation of the will of the electorate than the first-past-the-post method, though it may leave considerable minorities unrepresented if these minorities are evenly spread through the various electorates. Until 1942 Queensland used a variant of the system, but then the Queensland Labour Government secured its abolition and the introduction of the first-past-the-post system. The Queensland Labour party considered—correctly, as the recent results showed—that this would favour a well-organized single party as against a divided opposition. It was a retrograde movement from the point of view of democratic principle and one which can hardly be reconciled with Labour's platform. At the recent Queensland elections the Labour party polled 232,868 votes as against 301,956 votes for opposing parties. Hence it can be seen that the present Labour Government in that State represents only a minority of the electors. In Tasmania, Lower-House elections are conducted on the Hare-Clark system of proportional representation,* with five-member constituencies. This system secures an adequate representation of the will of the electorate, and has not (as some critics supposed it would) so operated as to destroy personal contact between the members and their constituents.† There does not seem to be any widespread demand in the mainland States for any alteration in the existing preferential voting system, and opponents of Queensland's first-past-the-post system advocate a reversion to the State's earlier variant of that system.‡

The distribution of electorates in the mainland States tends to produce Parliaments not fairly representative of the electoral will. In none of those States do the electorates contain even approximately equal numbers of

* The single transferable vote.

† The system has also been criticized because the counting problems are complex, but the burden of this can now be taken by mechanical calculators.

‡ With modern mechanical calculators it would now be easy to improve the preferential system by applying in thoroughgoing fashion the process of successive elimination of candidates devised by the late Professor Nanson.

voters. In New South Wales and Victoria the disparities are at least governed by an intelligible principle; standard quotas of electors are fixed for metropolitan, provincial-town and country constituencies, largest in the metropolitan and smallest in the country. In New South Wales this scheme does not seriously penalize any particular political party, since even the Labour party—though predominantly urban—has a hold on certain types of country electorates. In Victoria the system gives the Country party a very much greater representation in Parliament than its electoral numbers warrant, as compared with both the Labour and Liberal parties. In Queensland the electorates are in principle based upon a uniform quota of electors, but in 1935 a commission of civil servants redistributed electoral boundaries in a patchwork fashion, intended to link up a provincial town with a farming district. In the course of time population changes have made these electorates very unequal in size and the distribution has operated to favour the Labour party; this has contributed to the minority government referred to above, though the first-past-the-post election system has been the chief factor. In South Australia and Western Australia electoral boundaries are also adjusted so as to give country constituencies fewer voters than city ones, but the disparities there are much grosser than in the other States and in the case of South Australia are grotesque. In South Australia this operates to the disadvantage of the Labour party, so that the recent electoral results show a trend away from Labour, but the State may still have a Labour majority in a Federal election. In the case of Western Australia the electoral distribution operates very much to the advantage of the Labour party.* Hence the recent election result there shows an even stronger swing away from Labour than the state of the Parliament suggests.

The purpose of the above sketch is to correct two false impressions which are commonly entertained about Australia. The first is that the Australian State Governments have ceased to have much significance in the Australian political system. The Commonwealth Government bulks so large in the field of external affairs that this is a natural error. The Australian citizen, however, is now beginning to realize afresh that many important issues are determined in the State sphere, and that it is the States, not the Commonwealth, which will play the major rôle in accelerating, retarding or reversing the general trend towards collectivism. The second fallacy is that Australian Governments always represent electoral majorities. In fact, the State constitutions embody the features mentioned above which are either designed or actually operate to prevent electoral majorities from being adequately represented in Parliament or from controlling legislative policy. The tendency is not confined to the English-speaking peoples, though pronounced among them, to make do with inherited institutions, and to achieve a rough correspondence between government policy and the will of the people in spite of the shape of the Constitution.

Australia, July 1947.

* Because of the hold which unions affiliated with the Labour party have in the sparsely settled constituencies of the pastoral and mining areas. Four of these are popularly called "the pocket boroughs".

NEW ZEALAND

CONCLAVES OF LABOUR

THREE has been during the last few weeks a noticeable transfer of interest from the industrial to the political side of the Labour movement. After the general election in November 1946 the Labour Government had 42 seats in the House of Representatives and the Opposition (National Party) 38. One seat (Raglan) which had been won by Labour by a very narrow majority was referred to an electoral court, which confirmed the Labour gain. Then on April 8 the death occurred of the Hon. D. G. Sullivan, Minister of Industries and Commerce, who had held the Avon seat with a large majority for many years. This seat was retained for Labour. A Labour member (Hon. R. McKeen) was elected Speaker, and the first division of the session resulted: Labour 40, National 38. One Labour member was absent.

It may be the case, as Ministers assert, that the loss of man-hours through strikes in New Zealand has been small in comparison with the United Kingdom, Australia and the United States, yet the inconvenience suffered by both householders and business men is obviously a factor to be considered in any forthcoming by-election. So many of these disputes were called against the advice of union leaders that it was clear to the public that there was some dissension in Labour councils. In view of the narrow political margin there was more than ordinary interest in the annual gatherings of the Labour organizations, which are held each year before Parliament meets. These annual meetings and conclaves are frequently the occasion for outspoken criticism and restatement of policy. After the annual meetings of the national unions of workers, a conference is held of the whole industrial wing of the Labour party, known as the New Zealand Federation of Labour. Following that is the meeting of the New Zealand Labour Party. At this the Parliamentary Labour party makes its report, and from it the Government and the Labour party in Parliament receive, as a rule, a vote of renewed confidence, with probably a mandate for future action.

Full Steam Ahead

BOTH the Dominion conferences made it clear that they wished the Government to push ahead with its policy of socialization while it still had the power. In the Federation of Labour the militant section called upon the Government to promote State socialism with all the vigour at its command, and upon the workers to exploit to the full a situation which was particularly favourable to their demands. "To-day your labour is in acute demand," said one of the manifestoes. "That will not always be so. This conference is vitally important to Labour. The white antlers of virile unionism—the boss-class toadies—and the potential fascists should be relegated to their rightful sphere." The statement of the executive (which was adopted by the conference) was a clarion call to eliminate capitalism and build

"a democratic co-operative socialist commonwealth". The roots of modern wars, it was said, lay in profit-making capitalism, of which Fascism and Nazism were the political product. Though Fascism as a political weapon had sustained a military defeat, the economic and social forces which gave rise to fascist methods lay dormant—"a malignant growth in cool storage, waiting to be resurrected and used as a structure and a method against the people of all countries should the occasion arise". Economic conditions in the Dominion, they said, were not all that they would wish, yet workers and people here were in a much more favourable position than in most other countries. "At the very least we can claim that there is no one in New Zealand who is denied the necessities of life." But it was vital that at such a moment they should recognize that trade-union democracy rested upon the basis of majority decisions and the ability of the minority on any question to accept a majority decision. The vote of confidence in the Government was unopposed.

The Federation conference adopted the proposals* for a large-scale amalgamation of unions on an industrial basis, which is expected to reduce the number of unions from 400 to 12. It was pointed out that whereas Denmark, with 630,000 workers, has only 71 unions, New Zealand with only 220,000 workers has 400. These include a considerable number of national unions and federations of unions, each covering the workers engaged in a number of occupations. The object of the proposed change is to organize the workers about the commodities produced rather than about the tools used in producing them. This is to be brought about by persuasion, not by compulsion. No doubt, as in local government, one of the most stubborn obstacles will be the vested interest of the myriad officials of small unions.

A Warning to Wreckers

AT the conference of the Labour party, which was attended by 540 delegates from unions and branches all over the Dominion, the Prime Minister (Mr. P. Fraser) dealt trenchantly with the rebellious spirit shown in some unions. If unauthorized strikes and attacks on the Government were permitted to continue, he said, the wreckers would destroy the whole fabric of social justice which had been created by the Labour party. The Government could not stand by and permit such destruction. "If we do not stand united now the Labour movement will collapse, and so will democracy in this country." The Communists, he said, though they had polled only a few hundred votes, tried to create discontent and resort to direct action. At the end of a warm two-hours debate the Prime Minister and his colleagues received a vote of confidence that was almost unanimous. Only four votes were recorded in opposition. It would seem therefore that if the breach in the Labour body is not healed it is at least cauterized.

Addressing the party conference the Finance Minister (Mr. Nash) made a spirited defence of stabilization. "If capitalism were allowed to flourish", he said, "there would be a worse crash than would ever have been dreamt of, but capitalism was failing and would continue to do so." The position of

* See *THE ROUND TABLE*, No. 147, June 1947, p. 304.

New Zealand, between an acquisitive competitive capitalism in the United States and Communism in Russia, would be most critical. We should be lost in a disastrous conflict unless we supported and co-operated with the Socialist Government in Great Britain. Mr. Nash was obviously speaking to the already converted when he urged that New Zealand should not try to extract the maximum amount of cash for her produce sold to Great Britain. He was firmly of the opinion that there should be no move for higher prices for any produce we sold to Britain. Nobody who wanted Britain to win through would push her hard. If a higher price were given to one of our competitors (say for instance Denmark) it might change the position, but it would be very awkward for New Zealand. No doubt we could realize more by selling elsewhere, but New Zealand would cease to exist as a southern Power if Britain failed. It would be criminal to take advantage of Britain's present plight; the Government would have no part in such an idea.

A warm welcome was accorded at the Labour conference to Miss Mabel Howard, M.P., who was chosen by caucus for cabinet rank and was sworn in on May 29 as Minister of Health and Child Welfare, the first woman Cabinet Minister in New Zealand. Miss Howard is the daughter of Edwin J. Howard, the former Labour whip and chairman of committees. She has been in Parliament for four years.

Parliament Opens

THE first session of the 28th Parliament was opened by the Governor General (Sir Bernard Freyberg) on June 28. His Excellency's speech dealt at length with New Zealand's international responsibilities and plans for co-operation in world reconstruction. The New Zealand Army group in the British Commonwealth Occupation Force in Japan, he said, was being reduced by agreement with the United Kingdom Government from 4,200 to 2,400 men. New Zealand was making a gratifying recovery from the war and had dealt successfully with rehabilitation. Over 11,500 men had taken advantage of the trade training scheme, and 3,251 had been wholly or partly trained as farmers. It was intended to place at least 9,000 men permanently on the land; 3,893 had acquired farms of their own with rehabilitation finance, and the State had acquired or set aside 742,000 acres for settlement. Over 25,400 service men and women had received grants to assist with their education; 21,000 houses had been provided for ex-servicemen, and financial provision made for 4,600 more. Out of 186,000 ex-service men and women registered with the department, over 132,000 had received some form of assistance, at a total cost to date of over £51 million.

No reference was made in the speech to Bretton Woods, a subject upon which it is understood there is a sharp division of opinion on both sides of the House. It may possibly be approached as a non-party measure, though this is a situation that is now almost unknown in New Zealand politics. It is usually reserved for such delicate questions as the liquor-licensing laws, upon which even families are strongly divided.

In the course of press talks after his return to New Zealand on June 4, the Finance Minister discussed the four conferences he had attended. A regulated

economy, he said, would help more than tariffs or subsidies to restore world trade. At the first conference in New York the New Zealand delegation had insisted on bringing the employment factor into proper perspective. The object of Article 55 of the Charter was to improve living-standards. That was the major goal of United Nations, not the avoidance of war. A conference on trade and employment must work out the mechanics of exchanging commodities so as to improve living-standards, and they could not do that without maximum production. All sovereign States should undertake to develop their territories to the full, maximize their production, and make available to others all that they did not themselves consume. There would have to be some amendment of the Charter. New Zealand would have liked to be represented on the economic commission for the Far East, but we had enough to do, and Australia and New Zealand were covered by the South Pacific commission.

The Governor-General's speech mentioned the decision of the Government to nationalize the remainder of the coal-mines still in private hands. Incidentally it was announced early in June that an agreement had been reached with the Westport Coal Company, one of the largest private concerns, for the purchase of its entire undertaking. This includes the Denniston and Millerton mines on the west coast, and also mines in the province of Southland. About three years ago the Government took over the property of the Westport-Stockton Company, also on the west coast. The initiative in the present transaction came from the company.

Our Island Trusteeship

AT the opening of the session there was laid on the table the agreement arrived at on September 7 between New Zealand (in respect to her Island Territories, including Western Samoa) and the Government of Fiji and the High Commissioner for the Western Pacific for the establishment of a South Pacific health service. The agreement, which is for two years, envisages the adherence of Australia and has already (on December 18) received that of the Government of Tonga. New Zealand's leadership in native health services in the Pacific islands dates back at least twenty years, when Sir Maui Pomare, as Minister of Health, co-operated with Dr. S. M. Lambert, of the Rockefeller Foundation, in initiating a school in Fiji for the training of natives as medical practitioners.

In connexion with our trusteeship of Western Samoa, there is at present in Samoa a mission—the first of its kind in international history—sent by the United Nations Trusteeship Council to investigate a petition for self-government on the same basis as Tonga, but with New Zealand as the protector instead of Great Britain.

The Year's Accounts

MR. NASH has indicated that there could be no tax reduction if there were deficiencies in the accounts. The year's balance-sheet, which was released by the acting Minister of Finance (Mr. Nordmeyer) before Mr. Nash's return to the Dominion, showed an unexpected buoyancy in the

revenue, resulting in a surplus of £4,611,000. The monetary gift to Britain of £12,500,000 was paid out of war-expenses account without recourse to further borrowing. This was arranged by applying monies still available out of the opening cash balance and the surplus of receipts over expenditure, together with £3 million transferred from the consolidated fund. "Notwithstanding that a full year's programme involved the raising of £26,635,000, the net increase in the public debt was only £10,240,000." Debt redeemed amounted to £16,395,000 and the total debt at April 1, 1947, stood at £634,752,000.

On June 24 the Minister of Finance announced the terms of an agreement between the United Kingdom and New Zealand for the avoidance of double taxation and the prevention of evasion.

An Immigration Policy

THE decision of the Government to embark upon an immigration policy has met with no adverse criticism. Agreement has already been reached with the British Government under which New Zealand will receive 1,500 settlers during the remainder of the current year, 3,500 in 1948 and 4,600 in 1949, these figures being governed by the availability of shipping to carry the immigrants. The Minister in charge (Hon. A. McLagan) stated that the Government would set up hostels or other accommodation where housing was not provided as part of the job. During the negotiations the United Kingdom Government had agreed to pay the passages of ex-servicemen, but on considering the matter further New Zealand had offered "in the light of Britain's increasing economic difficulties and her serious shortage of manpower" to pay the whole fares of ex-service men and women up to the age of 35 years. Migrants will be expected to take up employment in certain specified occupations and to remain in their positions for a period of two years after arrival in New Zealand. This scheme, we are told, is only the initial step towards a comprehensive long-term immigration policy. To assist in carrying it out the Minister has set up an advisory council consisting of the Director of Employment and ten members (including two women) representing workers' unions and employers' associations.

Marketing Dairy Produce

IT is significant that the Dairy Marketing Commission Bill, which is now being debated in Parliament, has received the blessing of both parties. In the earlier depression, following World War I, a dairy board was established under an Act passed by the Massey Government, the Dairy Produce Act 1923. This body, on which there were two government representatives, was entrusted with the marketing of our butter and cheese overseas. It had full financial responsibility and power to levy upon the produce to meet its expenses. For about a decade the board carried on more or less satisfactorily, experimenting meanwhile with different methods of electing the representatives of the industry. When the Labour party came into power it passed the Primary Products Marketing Act 1936, which gave the State authority to acquire produce, to market it both at home and overseas and to fix a guaranteed price to be paid to the producers. The price was to be based on those

ruling during the preceding eight or ten years.* The industry has always contended that the price originally fixed was too low, that the basic costs of production were underestimated in view of the purpose of the Act, which was to ensure the stability of the industry and the general living-standard of persons engaged in it. In 1938 the Minister appointed a committee of seven to determine the guaranteed price: three representing the dairy industry, and three the Government, with Sir Francis Frazer (a former judge of the Court of Arbitration) as chairman. The unanimous recommendation of the committee, after taking voluminous evidence, was to fix the guaranteed prices at 16·75d. per lb. of butterfat used for butter-making and 18·75d. per pound for making cheese. It has since been a grievance of the producers that the prices finally adopted by the Minister were somewhat lower than this.

The Bill now before the House, which is the outcome of friendly discussions with representatives of the industry, in effect transfers to a marketing commission all the powers hitherto exercised by the Government, but only so far as produce for export is concerned. The commission may acquire all the butter and cheese manufactured for export, fix the price to be paid to the industry and do all the handling, pooling and transport, provided that in so doing it shall "comply with the general trade policy of the Government and with any directions given by the Minister to the commission". All the seven members are to be appointed by the Government after consultation with the Dairy Board. They will not all be government nominees, since three are to be drawn from a panel of six suggested by the board. The commission is to fix prices as near the beginning of each season as possible. Where it is found that the price paid for produce intended for consumption in New Zealand is less than that fixed for export the commission may make up the deficiency, and in the reverse case the companies shall pay the difference into the commission's account.

In introducing the Bill the new Minister of Agriculture (Hon. E. L. Cullen) claimed that price-fixing had been a great success; it had stabilized the position of all concerned, and dairy farmers had never been so well off before. This point is generally conceded, that the industry itself has now no desire to abolish the guaranteed price. That alone would make the measure acceptable. Opposition criticism is on the whole favourable. It regards the Bill as a step away from State socialism and back towards producer-control of marketing. Complaint is made, however, of undue government influence in the appointment of the industry's representatives on the commission. In reply to the plea that farmers are not compensated for the longer hours which they have to work while other occupations stop at forty hours per week, the Prime Minister said that the agricultural committee of the House might be able to devise some means of compensating them.

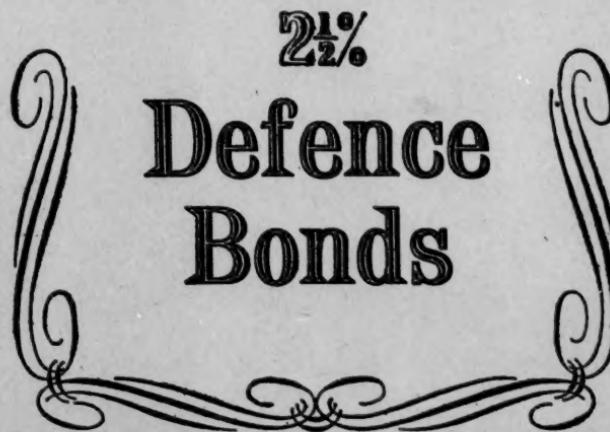
New Zealand,

July 1947.

* See *THE ROUND TABLE*, 1936, No. 105, p. 227.

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